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THE EVOLUTION OF SOCIALISM IN CHINA

There are conflicting ideas current just now about the solidity and stability of the new regime in China. Some believe that it has come to stay and will perpetuate itself after gradual changes and modifications. They point to the first electoral system in China's history and say that once elections can be, and are, carried out on an objective and honest basis the system laid down in the Constitution is an infinite improvement on the historic and calamitous weakness of the old system, which had no other means of succession than through invasion and conquest or through successful internal rebellion. India has shown that vast mass elections are practicable. The evolution of the existing Chinese system, with true and reliable elections at the basic levels and then higher elections on a pyramidal rather than a mass basis, offers a better solution in the end. It combines both the old principle of rule by men of quality and attainment and the new one of mass election, and is a safeguard against the worst practices of electioneering and demagoguery. It is much more likely that India will adopt this system than that China will take over the mass election system of India. But the major argument about this is that an imperfect but still much more intelligent and civilised system has been devised to replace the ancient rhythm of succession by armed violence. Will it be properly used? If not the old rhythm will infallibly return.

The economic system in China moves toward Socialism with groans, and a growing variety of unexpected distortions. The free market in a limited list of agricultural and garden produce threatened, because of the enterprise and superior efficiency of the private merchants and dealers, to make inroads into the larger fields reserved to the State commercial bodies, and supply and marketing cooperatives. They do the business without pother or bother, without red-tape, permits, or even account-books and without benefit of the vast host of bureaucrats of all sorts and sizes which afflict the land like locusts. If the entrepreneurs were left a free hand the people would deal with them and forsake the cumbrous and troublesome bureaucratism which is the overwhelming, besetting sin of a Communist regime. There was once a time when people in the Soviet Union had to get a permit from one Government department, counter-signed by others, to buy everything, from pills to toilet paper! And even then they were lucky when they got the article. Under the present regime, at present at any rate, everything is more difficult than it was before, everything is less easily obtained and almost everything is in short supply. Where, as a result of uneven distribution—almost a common breakdown of organisation—there is excessive supply in other areas, the excess is hidden away in the stockpiles and not thrown on a market, in which public consumption is deliberately kept down to a minimum. Hardly a day passes but that one or other of the Communist leaders or newspapers inveighs against

errors and abuses never heard of under the former regimes.

But these troubles are inherent in the system—at any rate in all the formative years. It is still, after nearly 40 years, inherent in varying degrees in the economic system of the Soviet Union, aggravated by the war and, since the war, partly alleviated by exploitation of the satellites in a way that transformed their economy also into a state which produced the riots of Poznan, the defiance of Warsaw, and the upheaval of a whole people in Hungary.

The question that the detached observer asks is whether these and other evils are necessarily inherent in the whole Socialist system, or whether the evils are due to human weaknesses, inexperience and inability to apply the principles laid down in an intelligent and adequate manner. After 40 years there has been no absolute proof. There is proof that it can immensely strengthen and enrich the State. Russia today is second only to the United States as the most powerful State ever known on earth, and that is the major miracle of the 20th Century, into which Tsarist Russia entered as a most despotic and inefficient, backward and poverty-stricken Empire. But one thing must be admitted. The State economic system, call it Socialism, Communism or what you will, possesses a mass appeal (aided no doubt by incessant propaganda) which Capitalism no longer enjoys. Even in its last remaining, uncompromising household, it was in time of grave crisis subjected to the scorn of its own people and to the corrective devices of the New Deal to lift the vast armies of unemployed out of their misery. Yet who can deny that as it is the United States is not only the most productive but also incomparably the happiest land in all the world? It may be true that happiness cannot be bought, but it is a condition of being all the more valuable—indeed beyond price—because of this.

There is no real warrant for the assumption that the bearded Marx was, as he is represented by the faithful to be, the last and final word in human wisdom. He was a mid-Victorian and looked and dressed the part even if his ideas were somewhat out of line with his contemporaries. The last half of the century was the Age of Capitalism, which built great and prosperous States from Canada to the border of Patagonia. The United States, Argentina, Brazil and Canada were built on the bases supplied by foreign capital. Yes, but this system is based on gross inequalities and injustices, exclaims the Marxist! And he promptly proceeds to impose (in the name of good and just intentions) a system that grinds the face of the poor and merely establishes the new privileged class of the Commissars. We have seen this in Russia, where a new elite class is being created and the masters arrange marriages between their own families just like the aristocrats of the centuries before. Undoubtedly the system is based on principles that do seek justice. It has not yet shown that justice is the practical result. Democracy at least does give full rein to the people's will and to swift and peaceful change of Government. It has yet to be shown that the Communists will permit power to pass from them to others—whatever system of elections they may devise—still less to permit the people to vote for another economic system.

The social revolution, be it remembered, was imposed by armed force in China. The succession to past power thus conformed to the ancient rhythm. The Red armies marched from the Sungari to the Southern Seas, and their bullets were decisive. The people bent to the storm rather than be broken by it. But as they did not consent, nor more than dully acquiesce in the fervour of the minority of young activists, the first principle of a new revolutionary rhythm was violated. The intellectual minority of the nation nevertheless is proud of the new status it has won. China, once so great and then for a century so low in the esteem of a world that had nothing but contempt for weakness, is once more feared and even respected. Indeed fellow-Asians hail her as a great Power. She has an army that has proved its ability to fight, though all who remember the great civil war of 1930, and the great slaughter around the intricate entrenchments of Kaifeng, realised then and there that the era of the Tuchuns' ragtag-and-bobtail levies had vanished.

The regime has made the people work as never before, even though the industriousness of the Chinese has always been proverbial. It has done more in the way of conservancy work, railway and road building, the building of heavy industry (or rather its replacement and expansion) than ever known before. It has given the nation a purpose—and in intent at least an unchallengeable purpose—to restore the prosperity and pride of one of the greatest of all peoples. It has stabilised the currency—a boon of inestimable worth. It has revealed hidden riches which superstitution would have otherwise kept hidden. Oil and iron, more and more coal, and other minerals are the symbols of the wealth and strength to be. And also a source of pride to all. Power schemes (still unformulated as yet) have found suitable sites all along the great rivers. The hewers of wood and drawers of water for thousands of years lift their burdened shoulders and know their sons will be spared the lifetime of manual toil which was their lot.

The regime is making the people, all the people, do things that ought to have been done long, long ago and the new rulers are to answer to a long era of frustration. This alone enlists much support for them. But the depressing tale of the two-bladed (or double-edged) ploughs does not stand alone in exposing the appalling defects and inefficiencies of the new order. And now the men who made modern light industry in China, though dispossessed, are being required to run them still under the new system, simply because none of the Communists have the knowledge or experience to do it themselves. The leaders are peasants and so are most of their followers. There is hardly any precedent in history for their complete divorce in personal background and experience from the industrial society of which they dream and for which they call the people to sacrifice.

The young are hopeful and the old often hopeless and unhappy. Seven years have passed and it is still too soon to judge what will be the outcome of it all. There were the seeds of counter-revolution, aided and abetted and even promoted by revolutionaries and the proletariat in Budapest, though not in Poland. In three years, too, the people tore the despotic Empire of Chin Shih Hwang Ti to tatters. They can do the same thing again, as the storm in Budapest has indicated. But the regime is afraid of nothing so much as this—and the execration that has dogged the memory of the men of Chin all these two thousand years. That is why, when they mustered the dashing courage to call for the rush into the agricultural co-operatives, they kept on insisting that the peasants must fare better and that the majority of them must be convinced by concrete results that they had more in their pockets at the end of the first year of collectivisation than at the beginning. Calamities have denied them this achievement over seven of the major provinces, but they share the blame and the resentment with Providence. Peking has seen thousands of agricultural co-operatives simply disintegrate and vanish overnight, as they did two years ago in Chekiang and in some other provinces. It knows that the peasants, if angered or sharply disillusioned, could walk out of the APCs at any time. Its appeal is to their cupidity and their "capitalistic" tendencies. It is quite impossible to talk to them of the malicious or lofty concepts of levellers or philosophers. That is a weakness which, in the event of failure, may be serious indeed.

GREAT PROSPECTS IN CHINA'S NORTHEAST

One power station in hand and operating is worth a thousand in the dream-room. China has been sending teams of semi-experts all over the map and hit upon scores of sites for a variety of dams, almost stunning in number and aggregate potentiality, but in seven years only the small Kwanting water power station has actually been built. Except for this all the work in new development and expanding power has been on a basis of coal. But it is idle, and could be dangerous, to be trying to dazzle the imagination of the public by constant parading of what are still pipe-dreams. Immense hopes have been aroused. Immense schemes will in time—perhaps a far longer time than imagined—be carried out. But in the meantime disillusionment has to be guarded against, just as it is the principal factor to fear in the agricultural co-operativization. The farmers were told they would make much more money and fare a great deal better: they could hardly fare worse anyway. But if they work twice as hard and fail to get value for their work in tangible return there will be serious trouble.

The risk is the greater because collectivism is not going hand-in-hand, as originally intended, with mechanization. There isn't the steel to manufacture all the tractors and ploughs necessary to mechanise all the farms of China, and the peasants would not stand for a reduction in their standards of living to pay for the vast acceleration of heavy industrialization once contemplated. China has wisely decided on a milder and slower method than the ruthless system imposed by Stalin. But the mirage must not be put before reality. Even the great conservancy schemes, which were carried out with speed and despatch, especially in the Huai River region, have not attained the success promised to the harassed farmers of that stricken area, who have suffered from flood after flood despite the assurances that the vast amount of labour they had contributed to the schemes would not be in vain but would protect them thereafter from the sorrows of the past.

The Heilungkiang (or Amur) River region has provided the latest example of the perpetual excursions into the realm of the future. Soviet Russian and Chinese experts recently conducted a scientific survey of the Heilungkiang River (better known as the Amur) and of its tributary the Argun, with the intention of drawing up a series of projects for the comprehensive development of the whole basin. Apart from a series of power stations step-ladder fashion like the schemes for the Yellow River exploitation, the creation is suggested of a new canal system which would enable the river system of North and South Manchuria to be linked up with each other and with the Gulf of Chihli. The idea is to dig a canal between the upper reaches of the Heilungkiang and the Nonni (Nun) River. The linking of these two large rivers would be supplemented by a Canal to link the Sungari and Liao Rivers, the two major waterways of North and South Manchuria (or Tungpei or Northeast as it is now popularly known). This canal would be dug from Sanchakou on the Sungari to Sanchiangkou on the Liao, which, of course, enters the sea in the Gulf of Pohai, or the Gulf of Chihli as it is otherwise called. Another canal is proposed from the Ussuri River.

A member of the team who conducted this survey wrote a long and dithyrambic account of potentialities for the Kwangming Jih Pao. It included the schemes mentioned above. It must be said for the Communists that once their mind or imagination is inflamed by the vision of some large and concrete scheme they never consider the obstacles in the way, the cost in men, money and effort, or anything else save the determination to achieve the impossible. Certainly some day these schemes will come to fruition. They simply have to, because the pressure of ever-increasing population on the land make power and industry the very bread and milk of the next century. But progress reports on big schemes in being, like the Yangtze dual-purpose bridge, the bare beginnings of the great Sanmen Dam, and the conservancy work in Anhuei, are better and safer in their influence on public reactions than constant directing of the gaze to pie in the sky.

The Heilungkiang region is destined to be the "Manchuria" of the next half-century as the Southern part of this vast, virgin, rich territory made the "imported" name world-famous. Certainly it is more comforting to look at this pioneer, frontier country now awaiting development, than at the vast menacing mass of the loess country in ancient China. Yet somehow or other that appalling area of loose soil must be bound together, made habitable, turned to vegetation and cultivation, if the greatest sore in the physical body of China is to be removed. The inspiration for the dream-picture of Heilungkiang seems to have been the leader of the team from the Soviet Academy of Sciences, Dr. Kelopov (as the name is rendered back from the Chinese). There is no reason to doubt the competence of the Soviet scientists. For the first generation after the Bolshevik Revolution they were a pretty poor lot in comparison with the small but highly select band of engineers in Tsarist Russia, who had to undergo an extremely long and most exacting course to get their degree. Indeed the Russians sat at the feet of the big American dam-builders and engineers between the two world wars. The great dam in South Russia was built by American engineers. But in the last two decades the Soviet engineer has proved himself. Judging by results there have been serious defects in much of the large-scale work, both in conservancy and in railway building. But it is probable these had less to do with the planning and designing and much more to do with inefficient workmanship. These experts do dream a little more often than the typically austere type of Western engineer. Fantastic schemes have been attributed to them in Siberia, the turning back of the great rivers that flow into the Arctic or into the tundra, and the use of their waters to change the whole climate of Central Asia; the damming of the Behring Straits and the conversion of the climate of Siberia and other areas of the world; and other grandiose ideas. But life is real and earnest and while it is good to dream it is better to get down to actual work.

Everybody who has seen the soil and the forests and the vast emptiness of Heilungkiang knows that there are vast potentialities, and also that the climate is very severe and frozen stiff for half the year. In part of the rest there are torrential rains. The cold is so inhospitable that anybody venturing forth without Arctic forms of protection soon finds himself in hospital with frostbite. Hospitals in Manchuli in mid-winter are full of such cases. Things just as great await the doing in the very heart of the Chinese land and population. However, great numbers of migrant farming families have been sent into the province, and work has to be done—even in only a modest way, to help and protect them from flood, pests, the bitter cold. The team itself encountered the biggest flood in the Heilungkiang area for a

couple of decades. There have been five great floods in the last 30 years.

Construction of power stations is the key task in controlling the river, and the experts suggest the building of the Chalinta water power station on the lower reaches of the Mo River as the first project because of its role in regulating the volume of water of the while area. During the voyage of more than 2,000 miles along the tributary, the Argun, to the lower reaches of the Heilungkiang, the experts surveyed nearly 30 sites for dams, and formulated several programmes of ladder-like development for comparison purposes. In some of the sites suggested, more than a million k.w. of electricity could be generated from a mere seventy foot dam alone. The potential generating capacity of the Heilungkiang and its tributaries could reach a maximum of 20 million k.w. at an average cost of one cent!

There have been various discoveries of minerals in the area, particularly in the Great Hsingan and the Little Hsingan ranges, and it can hardly be doubted that the basic materials exist for great industrial bases in this frontier region which has remained almost untouched by the hand of man from the beginning of time. If Sinkiang is to be the California of China, Heilungkiang will most likely be the Canada of the Chinese domain. Nor is there much reason to doubt the possibility of creating canals to link up the great rivers with the sea and with new industrial centres and to create new possibilities of navigation far inland by building dams which will remove the inequalities of the water. Optimists already visualise the time when it will be possible to travel on water from Heilungkiang to the Pacific and from Hailar to Peking. The expert Kelopov is quoted as saying that before 1960 the specialists will finish all the surveying and prospecting work for the development of the Heilungkiang basin. Every member, he added, was very much interested in undertaking this great project, though there was a political edge to his further comment that "it is because we thoroughly understand that the development of the productive forces of the Heilungkiang River basin and universal improvement of the living standards of the people on both banks of this river constitute a common, noble task of Chinese and Soviet scientists." It could, of course, become a task of rather a different order if there were rivalry and conflict instead of co-operation and concord in this area.

Meanwhile a statement at the very same time that the Kirin Conservancy authorities had decided to build a large number of flood-protection projects as flood relief work for the stricken people of that flood-beset province seems a good deal nearer solid earth. Here again it is mostly earthen work along the constantly rising rivers, which nourish but also menace the great Sungari, Yungma, and Hsinkai plains. The investment will be considerable—160 million catties of kaoliang for a whole year's consumption by 320,000 refugees—but it may enable the farmers to continue their work thereafter in peace.

THE INDONESIAN ECONOMY IN 1955/56

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In the fiscal year of 1955/56 the economic development of Indonesia progressed under the influence of favourable external factors. Not only did economic activity in West and East Europe increase, but also in the United States of America, in contrast to 1954 when that country experienced a recession. Moreover, the general stock position was such that demand for raw materials and other primary commodities could no longer be satisfied without increasing recourse to production areas. This meant for the export markets a stepping-up of demand resulting in better prices and higher foreign exchange proceeds. Indonesia participated in this propitious course of events. Exports from our country rose from Rp 9,759 million in 1954 to Rp 10,618 million in 1955 (including oil and oil products). The balance of payments showed a surplus of net Rp 1,015 million (against a deficit of Rp 374 million in 1954), which was reflected by an improvement in the foreign exchange position from Rp 1,758 million at the end of 1954 to Rp 2,771 million at the end of 1955.

Besides external factors, the development of the Indonesian economy was influenced also by internal measures in the monetary and real sphere. In September 1955 the new Cabinet of Mr. Burhanuddin Harahap submitted the existing complicated import system to a revision of multi-form purport. By (a) improving the method of handling applications for import licences, (b) streamlining and actually raising the manifold extra levies on import goods, and (c) the un-tying of strings which linked imports with exports, it was expected to bring about not only speedier imports, but also more imports, which would also be relatively cheaper. In order to satisfy the expected higher demand for foreign exchange for imports—made possible by better export proceeds, manifest from July 1955 onwards—but nevertheless to keep this demand within the limits of practicability (i.e. of the available foreign exchange reserves), the Government decided to depart from the course followed hitherto, in other words to discontinue the system of quantitative import restrictions by way of foreign exchange allocations for various categories of goods. Instead it was decided to raise the extra levies on imports and, in the monetary field, to broaden the existing system of partial pre-payments in such a manner that henceforth the amount needed for obtaining foreign exchange plus the extra levies due for the imports concerned (T.P.I. or additional import tax) had to be pre-paid in full. In this way a considerable part of the money in circulation was temporarily tied-up (approximately 25%). Furthermore, the Government expected to eliminate the major part of the budget deficit by the above-mentioned raise of extra levies on imports.

The principles mentioned above, in regard to the new method of handling import applications, were brought into practice by the following measures.

To start with, Kantor Pusat Urusan Impor (Central Bureau for Imports) was closed and replaced by a new agency, Biro Devisen Perdagangan—B.D.P. or Bureau for import exchange licences. Whereas previously import applications were handled directly by K.P.U.I., henceforth the foreign exchange banks were co-opted in the system. Import applications had to be entered with the banks who passed them on to B.D.P. Simultaneously precautions were taken to prevent the public (i.e. importers) from having direct and personal contact with B.D.P. officials. Thus a

previous source of corruption which had made K.P.U.I. notorious, was to a large extent overcome. The handling of import applications is now conducted in a more businesslike manner.

Notification of B.D.P. decisions, whether positive or negative, is given to the bank concerned.

From the internal measures described above the results were the expediting of import applications, which together with more foreign exchange made available, resulted in imports to the extent of Rp 650 million per month in the period September—December 1955, against Rp 485 million per month in the preceding period of 1955 (on the strength of data provided by Biro Pusat Statistik—Central Bureau for Statistics—exclusive of oil and oil products). This course of events was further strengthened by tighter money brought about by the imposed pre-payments. Thus importers with ready stock had to dispose of it, at any rate in part, in order to obtain means for the financing of new imports. Liquidation of stocks also took place through fear of a fall in prices because of speedier and increased imports. All this resulted in an appreciable fall in prices in the import sector. Nevertheless, total imports were less in 1955 than in 1954, viz. Rp 6,888 million and Rp 7,172 million respectively. This came about because, in the period up to September last, imports had to be restricted drastically in order to preserve the monetary reserves. The fall in prices of import goods is therefore explained for the most part by the increased turnover of goods resulting from scarcity of money brought about as described above. In the monetary sphere these measures contributed to a levelling off of the increase in the supply of money which amounted to + Rp 1,817 million at the end of 1955 as compared with + Rp 3,474 million at the end of 1954. The floating debt of the Government with the Central Bank totalled Rp 5,996 million at the end of June 1955 against Rp 4,494 million at the end of 1955 (end of March 1956: Rp 4,097 million). On the other hand, the debt of the Government with importers rose from Rp 1,173 million at the end of 1954 to Rp 3,200 million at the end of 1955 and to Rp 3,386 million at the end of March 1956.

From the fall in curb prices of gold and foreign currency during the period under review the conclusion may be drawn that confidence in the value of the rupiah was strengthened.

Yet it would be imprudent to assume that Indonesia passed through a year of prosperity.

There were, first of all, exceptional rains and floods causing failure of crops, particularly of such a vital product as rice. The stockpile of rice kept by the Government was not sufficient to meet the ensuing shortage. Although there was plenty of rice available on world markets, it had to be shipped, which involved loss of time as well as foreign exchange and the expense had not been budgeted for. In contrast to the fall in prices of imported goods the rice price rose alarmingly, with all its consequences. The same climatic conditions caused scarcity of another essential consumer article, salt, the price of which soared also. It is obvious that, due to the inevitable increased cost of such essential commodities as rice and salt, the cost of living was influenced unfavourably. Since 1951 there has always been, in the midst of most difficult economic and financial circumstances, stability in prices of foodstuffs in the rural areas, in contrast to the situation in the towns. This relative quietness came to an end in 1955 because of the unavoidable decrease in the production of rice and salt. The index number of 12 foodstuffs in the rural areas of the most densely populated part of Indonesia, the Island of Djawa, rose from 3,334 in 1954 to 4,990 in 1955 (July 1938 = 100), the highest figure for the last five years. It is self-evident that this situation did not improve the domestic level of prices and costs. It was thus all the more fortunate that at least in the import sector prices fell. The effect of the latter, however, on the domestic price level would have been greater without the adversity befalling rice and salt. If the domestic price level could have displayed an overall decrease, it would have benefitted the real wages of labour and thus the sales of Indonesian export produce. This sector, of such vital importance to the economy of Indonesia, was helped by the increased demand from the expanding industrial areas of the world. Even so, export proceeds, foreign exchange reserves and the balance of payments would have shown better results if the level of prices and wages in Indonesia could have been stabilised. In this context it is significant that notwithstanding more favourable external conditions, and to a certain extent improved internal conditions as well, the Government was compelled in the year under review to give support to exports by means of export premiums. Of little assurance also, is the fact that exports increased in value but not in volume (1954: 2,857,026 tons, 1955: 2,716,622 tons excluding oil and oil products; inclusive of oil and oil products 1954: 12,743,612 tons, 1955: 12,189,480 tons).

It has of course to be taken into account that not all produce was exported, for some was either consumed internally or retained as stock. The latter practice was common in 1954 and preceding years, due to the prevailing preference for goods rather than for money. Although there is not yet a stable currency, nevertheless the Indonesian rupiah was quoted in 1955 at a higher level than before, so that there was less reason for keeping stocks of goods as an investment—in spite of the fact that some tendency in this respect could still be noted—especially in view of higher prices of export produce. As for internal consumption, there was undoubtedly an increase in some places through the growth of the population as well as by demands of certain industries for basic materials. If, however, home consumption shows an upward trend, production must be stepped up in order to prevent foreign exchange proceeds from decreasing. The economic development of Indonesia is still in an initial stage. For many years to come foreign exchange will be needed for the purchasing of consumer goods as well as capital goods, raw materials and semi-manufactured goods.

Output of important export products, however, gives little reason for satisfaction.

Estate production (000 kilogrammes)	1953	1954	1955
Rubber	175,078	285,854	265,648
Tea	80,538	46,742	43,368
Coffee	45,479	13,749	15,761
Cinchona bark	10,955	1,662	2,602
Cocoa	1,584	1,131	1,210
Sugar	1,175,510	713,571	819,129
Palm oil	226,668	168,325	165,792
Palm kernels	48,036	43,287	41,891

Compared with 1938 estate production is still low, with the exception of rubber. In comparison with 1954 there was a decrease in the production of rubber, tea, palm oil and palm kernels, all of which are typical export products. The improvement in sugar production is of course encouraging, and the same applies to hard fibres and coffee, but from the point of view of exports these do not have the same significance as rubber. Besides, it is known that the marketing of such an important export product as copra is in a disorganised state, with the result that exports in 1955 totalled about half of the 1954 exports.

More serious still is the state of affairs in the oil industry. Production of three out of the four operating oil companies will decline during the ten years as from 1955

onwards by an average of 5%, unless measures are taken in due time.

The above mentioned decline in production during 1955 and presumably to continue, of commodities which are the very source of foreign exchange proceeds, has far reaching consequences for the economy of our country. True, because of the prevailing instability of export markets, increased production by itself does not necessarily guarantee higher foreign exchange proceeds. On the other hand the fact remains that lower prices can be compensated to some degree by a larger volume of exports. If, however, volume as well as prices shrink, the foreign exchange income of the country will of necessity show a further decline. At least a minimum production level should be maintained.

Less foreign exchange will result in a deterioration of the balance of payments, of the budget and the monetary equilibrium, which will in turn have an unfavourable impact on production and therefore exports.

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I deem it urgent to dwell longer on this important problem of production. When tracing the cause of the decline in production, it becomes clear that this is due to economic as well as non-economic factors. I will not go into the non-economic influences. They belong in part to the complex realm of politics and psychology, which hampers the solving of problems, such as checking the illegal occupation of lands, granting new concessions, the admittance of foreign experts, etc. Much patience and wisdom will be needed to find the right course and, finally, solutions acceptable to all parties concerned.

The economic factors which influence production unfavourably can be, in principle, condensed to one problem, namely the tension between costs and prices.

The level of costs in Indonesia has increased from year to year as a result of inflationary impulses, emanating in the first place from budget deficits—i.e. from public finance—and sometimes, as for instance during the Korea boom and to a lesser degree in the year under review, from external influences, namely when export proceeds result in surpluses on the balance of trade and balance of payments. By the expanding volume of money domestic prices and wages are pushed up. Equally, the propensity to import increases, so that the Government, if they do not want to run monetary reserves down to an unjustifiably low level in less than no time, are compelled to take resort to import restrictions. Restrictions, however, cause local prices of imported goods to rise. In this way prices of both locally produced and imported goods go up and consequently wages also. This means that the cost of production, the component parts of which are locally produced goods, imported goods and wages, inevitably increases.

The consequences of a rising cost of production are not the same for enterprises producing for the home market and for those producing for foreign markets. Prices of the first category can be adjusted to the domestic price level; in other words, they can seek compensation in a brisk home market brought about by the inflationary situation. Different is the case of enterprises producing for exports. Not only when very high prices on world markets are prevailing, such as during the Korea boom, can the cost of production be met, but also a reserve account be funded for maintenance and expansion of the enterprise. Output of many enterprises producing for exports did indeed increase immediately after the Korea boom. This increase of volume has given some support to export proceeds in the period of falling world prices of primary commodities. In principle, however, there is for exporting enterprises a disparity between export proceeds as expressed in local currency and local costs. If the inflationary situation continues it is unavoidable that at a certain time not only increased production but even the necessary replacement and modernisation must be foregone, resulting inevitably in a declining production. It is precisely this situation that Indonesia experiences at present. One has not to be deluded by profits which exporting enterprises are said to make. These profits are often declared without reserves being provided for depreciation and/or replacements needed for the maintenance, let alone for the expansion of the enterprises concerned. The fact that the sugar industry could expand in spite of the higher level of costs, finds its explanation in other circumstances. In contrast to the situation before the war, the sugar industry produces at present more for the home market than for markets abroad. In other words the sugar industry is supported by the high prices, due to increased demand, ruling in Indonesia. In principle an important product such as copra could have profited also by a brisk home market. That this did not happen was due to the disintegration of the organisation which brought about considerable confusion.

When stating that enterprises producing partly or entirely for the home market, can seek compensation by higher prices, it must not be taken for granted that I approve of such a state of affairs. First of all there is the latent danger of the notorious price and wage spiral. If wages increase, the possibility of profit will decrease or even vanish. If on the other hand the demand recedes, due to high prices, these enterprises will suffer similarly. Actually they are existing in a way which could be called highly artificial, i.e. by the grace of an inflationary situation. These troubles are already evident with regard to some young industries in Indonesia, which have financial difficulties due to the fall in prices of imported goods. Their high cost of production does not allow competitive selling prices. Besides that, the problem of the progress of the young industries has other aspects making assistance very necessary. In this respect the measures taken in the import sphere were lacking in consideration of this category of enterprise. I will return to this subject later.

For enterprises producing entirely or chiefly for export the inflated cost of production constitutes a great impediment with regard to the maintenance and the expansion of their business. In addition to this, export markets are subject to short term fluctuations. This economic condition, particularly in the industrialised countries, during the last two years was overlooked because the predominant thought has been that expansion of industry throughout the world such as has prevailed in recent years, provides a guarantee for stable or increasing prices of export commodities. However the presence of large American surplus stocks, together with the difficulties experienced by countries such as Burma, Thailand (rice) and also Cuba (sugar) gives proof that such conditions are not a panacea against the fluctuations of prices of our export produce. When domestic cost of production is high due to an inflationary situation, and moreover, when export proceeds decrease, it is obvious that output of those enterprises producing entirely or chiefly for export will decline rapidly. Thus Indonesian exports are not only exposed to the dangers of unstable prices on world markets, but production itself, owing to local inflation, is under steady downward pressure. Reasonable and stable prices of commodities which stimulate exports will not yield adequate profits if supply of produce, that is production, diminishes.

Thus the improvement of export markets in 1955 was by no means sufficient to halt the process of decreasing production, which actually is a process of disinvestment or decapitalisation. The price increase of primary commodities was not strong enough to stop it. Neither could the reduction in prices of some imported goods which included

so important a category as textiles, influence the local cost of production to such an extent that the tension between costs and prices could be reduced in any substantial degree. Compensating the fall in prices of some imported goods was a considerable price increase of many, and for the exporting enterprises often very essential, basic materials and auxiliary goods such as fertilisers, gunny bags, etc. Moreover, due to the new measures of September 1955, the cost of maintenance and expansion of enterprises including exporting enterprises, rose considerably by the levy of 50% T.P.I. tax on imports of capital goods, including not only heavy machinery capable of a long lease of life, but also the most elementary tools such as hammers, axes, knives, etc., which are subject to wear and tear or are easily lost. Thus the new import measures brought some relief to some consumers, but for the exporting enterprises these measures in many cases meant new and heavy burdens, which for a very small number of export products classified as "weaker products", could be compensated by export premiums varying from 5% to 10% and later from 5% to 25%.

Going deeper into the causes which are responsible for the tension between costs and prices which not only undermines our capacity to export and to compete in foreign markets, but moreover threatens production itself, the predominant factors—besides serious setbacks such as the unseasonable rains and floods in the previous year—are to be found in the persistent and precarious monetary situation.

There was in the previous year monetary contraction in the business sector, particularly in imports. No less than about Rp 3.2 billion was frozen temporarily, including unsettled pre-payments from a preceding period. Against this contraction was the inflationary trend from abroad—via the balance of payments—aggregating Rp 1.0 billion. Furthermore, money creation by banks increased by Rp 1.2 billion. There would have been Rp 1 billion less purchasing power within the community if the third source of new money, i.e. public finance, had remained stationary. On balance, however, the money supply increased by about Rp 1.8 billion (1954: Rp 3.5 billion). From the overall figures mentioned above it is evident that public finance in 1955 continued to be inflationary. When interpreting the monetary trends, one must not be misguided by the (temporary) tying-up of money in the import sector.

Particularly, the conclusion must not be drawn that Indonesia has entered into a period of disinflation.

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Actually, in the year under review two inflationary forces were active, namely the budget deficit and exports. As a result thereof the propensity to import increased. This urge to import was kept in check better than previously by revising the import system and putting forward prepayments to an earlier date, but nevertheless the fact remains that it was the inflationary state of affairs and nothing else, which led to money contraction via imports. This disinflation, however, as already mentioned above was neutralised in part in the import sector itself by the expansion in credits granted by banks to importers, which increase amounted to Rp 400 million, against a decrease of Rp 59 million in the preceding year.

Regarding the two sources of inflation in the previous year, it can be stated that surpluses on the balance of payments emanating from exports are welcome for the time being, because they reinforce the foreign exchange position.

As to the internal inflationary effect, if this should assume too wide a dimension it could be checked by rather

simple measures, so that the advantage of more plentiful foreign exchange could be preserved with the avoidance or, anyhow, partial neutralisation of increased money supply.

The budget deficit is quite another matter. This deficit is costing foreign exchange, the consequences are more difficult to combat and it leads to distortions in prices and costs, all of which seriously impede economic development. It is due mainly to the budget deficit that the money supply in Indonesia has increased. From 1950 up to and including 1955 the money supply totalled respectively Rp 4.3 billion, Rp 5.0 billion, Rp 6.6 billion, Rp 7.5 billion, Rp 11.0 billion and finally Rp 12.8 billion. The increase reached its summit in 1954, viz. 46.4% as compared with the preceding year. The rise in 1955 being 16.5% was higher than the percentages of increase before 1954, when from 1950 up to and including 1953 they amounted to 12.2%, 11.3% and 13.4% respectively. Within a period of five years the money supply has almost trebled. When comparing the production figures relating to agricultural export commodities with the above, it is self-evident that there is no question yet of "neutral" money or monetary equilibrium. Neither by putting the total production—supposing the data were available—against the money supply, could the conclusion be reached that production had increased proportionally.

Notwithstanding efforts in 1955 to reduce the budget deficit, which was actually cut down to about Rp 2 billion (initially estimated at Rp 2.5 billion, but later re-estimated at Rp 3.5 billion), the Government could not avoid an eventual expansion of the money supply. The deficit was reduced mainly by better control of purchasing and other expenditure by Government agencies, and also by improving the method of tax collection, and finally by increasing levies on imports (T.P.I.) by nearly Rp 700 million. The inflationary financing of the budget would have been larger still if the Government had not applied the pre-payments by importers as a means of financing. As a matter of fact these pre-payments have the character of a compulsory short-term and interest-free loan. To the extent of the amount of these pre-payments there has been therefore no inflationary financing of the deficit but the tying-up effect of money was by contrast undone.

Admittedly the year 1955 has brought Indonesia some positive results by way of improvement in the balance of payments and in the foreign exchange position, as well as increased volume of imported goods resulting in lower prices and more stability in this sector. On the opposite side there was: 1. the higher cost of living in the rural areas through climatic causes, 2. the difficulties encountered by the young industries because of increased and speedier imports, 3. the still existing budget deficit.

Above all, however, coming more and more to the fore is the threat of the diminution of an important part of enterprise, i.e. the foreign exchange earning sector, principally on account of the inflationary method of financing the budget deficit over successive years. At the present time this is the fundamental defect in the economy of Indonesia, namely that money supply grows more rapidly than production, which even in such a vital sector as agricultural exports shows signs of a decline.

Due to the change of Government the budget for 1956 has not been completed. The draft budget presented to Parliament in January 1956 by the predecessor of the present Minister of Finance indicates a deficit of Rp 1 billion.

Compared with preceding years, this reduced deficit is not a result of retrenchment in expenditure as the following figures (Rp million) illustrate:

	1953*	1954*	1955	1956
Gross expenditure	15,659	15,141	17,053	18,978
Gross income	13,591	11,539	13,556	17,978
Deficit	2,068	3,602	3,497†	1,000

* Actual results; the figures for 1955 and 1956 are estimates.
† The actual budget deficit due to the measures of September 1955, totalled Rp 2,090 million.

The increase in expenditure budgeted for relates to the rise in salaries of Government personnel (in round figures Rp 1.6 billion). The question is whether or not income will actually rise as forecast by the former Minister of Finance. Doubts exist, particularly on the possibility of higher revenue from taxes. According to recent provisional calculations of the Ministry of Finance tax revenue was estimated Rp 1 billion too high. In that case the deficit will be larger than Rp 1 billion. It is most desirable that at an early date a definite answer will be given regarding the exact amount of the estimated deficit.

In any event, it seems fairly certain that for 1956 a substantial deficit must again be reckoned with.

This will mean that in the not too distant future the measures taken in September last to check inflation and protect the foreign exchange position of the country, will prove yet again to have been inadequate. The cause is that the Government have principally focussed their attention on combating symptoms, while efforts to get at the root of the evil, i.e. the budget deficit, so far proved not very successful. Thus each measure so far taken by the Government to restore the monetary and balance of payments equilibrium has provided only a very transient spell of rest—after a short interval of extreme unrest—to be followed again by a situation of confusion and uncertainty, destructive and exhausting for economic development, the first symptoms of which are beginning now to display themselves again. Until now insufficient attention has been paid to the fact that every drastic operation to restore the said equilibrium by way of raising the levies on foreign exchange expenditure—especially those weighing upon imports—comes essentially at the expense of the production potential. Each time the number of marginal enterprises and their forced closing increases. In other words, the improvement in the ready foreign exchange position following upon measures such as were taken in September 1955, is actually achieved each time by penetrating disinvestment. It is thus that at a certain moment such measures will have no further effect for the mere reason that more and more enterprises will have drifted into an extra-marginal position, so that production will decline and little or nothing will be left for exportation.

* * * *

In connection with the present and future budget deficit the intention of the Government to commence with the implementation of the five year plan deserves note. It is not quite clear yet how the financing will be dealt with, as the plan has first to be presented to Parliament for approval. It is however certain that the Government will have to contribute as regards the public sector. The provisional total estimates known vary from Rp 8 billion to Rp 11.4 billion, which implies a yearly contribution by the Government of Rp 1.6 billion up to Rp 2.28 billion. Since the budget for 1956 has not been completed yet, it is not known by what means the Government intends to finance the plan. For the monetary effect on the Indonesian economy, already under pressure by inflation, it is of the utmost importance whether the Government will apply inflationary or deflationary methods of financing. Furthermore there is the foreign exchange aspect. If considerable expenditure abroad will be needed the rupiah financing will be monetary-neutral, but on the other hand the foreign exchange position will

come under pressure, unless a foreign long term loan or grant can be obtained.

The private sector also, in so far as it may be connected with the implementation of the five year plan, may become a source of inflationary financing, particularly if the private investor does not resort to savings but to money creating institutions.

Investment is imperative for raising the national income and for prosperity. Investment activates money supply. This can lead to tensions. If investment yields the goods expected, then the tensions will lessen because against the increase of money supply there will be more goods. In this trend of thought the premise is a situation of monetary equilibrium which, when disturbed temporarily, will redress itself at some time.

The important thing in this process of adjustment or bridging the "inflationary gap" is its length of time. If the duration is a long one, then the redress of equilibrium will be more difficult and possibly may be feasible only on another, higher level.

In Indonesia, however, a different and more complicated situation has to be faced. The country is already in a state of monetary dis-equilibrium resulting from the financing of budget deficits by inflationary means. If at this time large investment schemes are floated, which might well produce equilibrium-disturbing forces, the existing inflationary tensions will increase even more, involving the danger that: (a) prices and wages rise, whereby (b) the implementation of the plan and production become hard pressed because of the higher cost of production, and finally (c) the balance of payments via a greater propensity to import will show a deficit.

It is essential that the authorities concerned, first the Cabinet and later Parliament, when scrutinising the five year plan should judge it not only on its own merits but also and above all, in the wider frame of the prevailing monetary situation. The question is whether or not the plan is desirable. This is easy to answer. For many years a structural change has been advocated whereby the onesidedness of the Indonesian economy could be rectified, and thus our national income increased and diversified. My point is to draw attention to the problem of financing which unfortunately is more difficult to solve on account of the already existing monetary dis-equilibrium. Therefore every effort must be made to avoid further disturbances in the monetary situation, because otherwise the consequences will be difficult to control.

Henceforth, therefore, as a cause of inflationary impulses we have not only to consider the budget deficit, but also the effect of increasing investment in the business sector.

It seems to me that in 1956 the following problems will come up for solution. I will differentiate between problems of a short term and long term character.

On short term problems, it is desirable that the relative stability of the price level of imported goods be maintained, especially as there is now, on account of the arrivals of rice and salt, a reasonable chance that the cost of living will show some improvement. In view of the large orders already placed (and pre-paid) and the voluminous stocks, it is to be hoped that no further large amounts of foreign exchange will be needed for such purposes. The agreement for the purchase of American agricultural surpluses concluded at the beginning of March 1956 to the amount of approximately U.S.$100 million and comprising such essential foodstuffs as rice, wheat flour and milk, as well as a quantity of cotton to be supplied to local spinning mills and more to be processed by third countries, and finally the popular amenity tobacco, constitutes for Indonesia under her present circumstances a very welcome source of regular supply of goods and means at the same time an appreciable saving of foreign exchange during 1956 and 1957. Furthermore, there is the possibility of utilising increasingly suppliers' credits in Western and Eastern Europe as well as in the United States of America.

On short term it is urgent also to pay attention to the needs of many local industries which for reasons easy to understand are not yet able to compete with foreign goods. This is always a problem facing countries commencing industrialisation. Even in highly industrialised countries there are sectors of industry which often are not able to cope with the competition from other countries. In any case it is not difficult for Indonesia to introduce measures which will meet the needs of young industries. In my opinion, the recent measures have paid too little attention to this matter and should be revised.

Finally, on short term the confusion existing in the buying-up and selling of copra must be terminated. There is still time to recover the lost ground in Europe whereby

the foreign exchange income of the country can increase considerably.

The long term problems are of course more difficult.

The least complicated of these problems are in the sphere of broadening the basis of Indonesian exports and expanding quick-yielding foreign exchange-saving industries. Not only is Indonesia a producer of primary commodities dependent on export markets, but moreover Indonesian exports are in fact founded on too small a basis. Rubber, oil, tin and copra are our principal export commodities. There are, however, other possibilities particularly in the mining sector. Iron ore, nickel and manganese ore could be added to the Indonesian export list. The financing in foreign exchange for these purposes, and also the necessary know-how are available and to be acquired abroad.

The same applies to the sector of foreign exchange-saving industries of small and medium size, which will be able to start production within a few years.

It is obvious that a broader basis of exports and an expansion of the home industries will benefit the country's foreign reserves.

The major long term problems are of three kinds. Firstly, the decline of production in the export sector must be stopped. Secondly, there is the problem of the budget deficits. Thirdly and finally, an investment problem is on the verge of appearing. These three problems have one common tangent: the monetary equilibrium. If this equilibrium could be accomplished or approximated, then real progress will be achieved. In Indonesia restoration or approximation of monetary equilibrium is almost synonymous with rationalisation, better control of expenditure and application of non-inflationary methods of financing the budget. Intensifying of tax collection, new sources of income, raising of savings which fortunately show good progress, will undoubtedly bring relief. It will not be possible to bring about all this within one year, but it is feasible to make a beginning.

Now that the general elections are over and the present Parliament will hold office for four years, thus enhancing the possibility of a stable Government, the time seems opportune to devise a long term plan regarding the problem of the budget deficit and the monetary equilibrium. In this respect it would be logical if, next to the five year (investment) plan, concurrently a plan would be drafted for the stabilisation of the budget within a period of five years, or if so desired four years, so as to have the implementation of the latter synchronised with the present Parliamentary period. It is evident that the Indonesian national income is in itself too low to solve all problems in this respect without inflicting damage to the daily necessities of life. The possibilities, however, to obtain additional means from abroad are in my opinion undoubtedly more favourable. They have to be investigated carefully and incorporated in the four year plan.

Finally, beside all this, it is urgent to strive continuously for a solution on the international level of the problem of unstable export markets, hampering as they are and to such a high degree the development of Indonesia and other similarly troubled countries. It warrants praise that there are signs pointing to co-operation in the control of international business cycles. It may happen that this co-operation will increase, as world economic activity at present seems in some places either to be over-expanded such as in some countries of Europe, or to display recessionary symptoms as in the motorcar industry in the United States of America, making it less certain that the boom will continue uninterruptedly into 1957. The world in general profits by the continuance of favourable trading conditions but the less developed countries need, beside this, guarantees with regard to the stability of their export markets.

I have to mention the abrogation of the Round Table Conference agreements by Indonesia. Concluded at the end of 1949 they were in April this year declared void by virtue of a bill of Parliament. This bill had retroactive force as from 15th February 1956. It is still too early to assess the financial-economic consequences of the termination of these agreements. For the time being, payments to the Netherlands of redemption and interest on loans are suspended. Pensions are transferred at the official rupiah-guilder rate. An ad hoc Government Commission is entrusted with the task of studying the problems resulting from the termination of the Round Table Conference agreements.

THAILAND'S POLITICAL PARTIES

By Hubert Freyn

PART II

The first article (published in the issue of December 20, 1956) of this brief series dealt with the party of the government, the Manangasila. In view of the superiority described which this party enjoys in so many respects, it might be supposed that all other parties would therefore be in strenuous opposition. But this is not so. On the contrary, as far back as May—only four months after the beginning of the "Hyde Park" experiment—politicians began to hint at possible coalitions. Such combinations, it is well known, are not Anglo-Saxon practice where they are exceedingly rare. The fact that in Thailand they are already being talked about—even before the first new general elections—coupled with the other fact that at the first signal of "full democracy" a great many parties sprang into existence, foreshadows the kind of political life to come. Already today the outlines of the picture resemble the Continental scene. This should cause no surprise. As shown in the May 10 article in this Review, all over the world, excepting for a brief span Japan, the non-Anglo-Saxon imitations of the British model have failed to produce the original two party system. Therefore, the multitude of parties make coalitions unavoidable. Unless the Manangasila Party succeeds in preserving, or some other party in obtaining, an incontestable majority they will become a matter of course also in Thailand.

In general, coalitions are possible among parties having specific aims and policies in common. In Thailand we find this situation both on the Right and on the Left. To start with the former, two parties have been formed which are in the peculiar position of agreeing almost fully with the government party, which in turn looks upon them favour-

ably. They are called the Thamathipat * (Justice) and the Chart Prachatipatai (National Democracy) parties.

At his press conference on May 10 the Premier threw out a blanket invitation to leaders of other political parties to attend, and participate in, these conferences. Some reporters present thought this was a veiled hint at a first step to participation in the government. And though the Premier said he would welcome also the opposition he was asked pointed questions whether he had the Thamathipat Party in mind. For this party is led by none other than his own private secretary, Piam Buyachote.

This gentleman then explained that his party "just came into being to support the government" and denied having attacked it. Later, he expressed himself in favour of the Premier as government head; and from that time on rumours that this party, which is small, would form a coalition with the Manangasila Party or even merge with it, have not ceased.

Classified as large is the second pro-government, the Chart Prachatipatai Party, which must not be confused with the Seri Prachatipat or Free Democrat Party. It is largely composed of junior members of the November (1947) Coup Group whose senior members are the government. The junior members preponderate among the secretaries of cabinet ministers. Its leader is Lieutenant Colonel Momrajawong (Duke) Nampet Kasemsan who is secretary to the Minister of Public Health. Its spokesman is an officer of same rank; its deputy leaders are a major and a second category (appointed) National Assembly member. Their affinity to the men in the government is patent.

Just the same, on the day when the Premier made his invitation the spokesman of this party declared it belonged to the opposition and would surely not join the Manangasila Party in order to attack another opposition party. Similar statements and denials have been made since then at various occasions, but observers familiar with the French political scene will not take them too seriously. Anatole France satirised: "In political life I don't believe anything until it is denied." Right up to the present the possibility of a coalition, even of a merger, has been affirmed and rejected by men of all three parties.

A small difference, though, from Continental ways was introduced by the Chart Prachatipatai Party at the time of registration. A well-known astrologer fixed not only the day but also the precise hour: June 13 at 11 o'clock 39 minutes and 58 seconds. Only time will tell whether this moment was most propitious.

It may be noted that neither of these two pro-government parties are planning to have candidates in all provinces. As in case with the small parties of the Left, their intention is to concentrate their efforts where they feel to have the best chance.

In September the Premier made another blanket invitation at his press conference, this time to the press itself. "All of you," he said he hoped, speaking to the reporters, would cooperate with the government and join its party. At first, the newspapermen laughed, thinking it was a joke, but the Premier insisted that he was serious. This was the time when he also spoke of setting up a People's Organisation to cooperate with the government.

The consensus of comment from other parties was that newspapermen as individuals were free to join any party of their choice. One said that if they did not join any they would be better able to do their duty; another expressed apprehension that some might want to sell themselves and that the Premier ought not to have made the offer.

These invitations, supplemented by talks, remarks, hints and allusions, combine with an energetic election campaign all over the country. The Manangasila is leaving none of the proverbial stones unturned in order to assure its victory in the March elections, and this victory is to be a smashing one. Consequently, it should cause no surprise if the two pro-government parties should come to some sort of arrangement with it in advance. In the absence of deeply seated personal rivalry and of differing objectives, all kinds of understandings are possible. Rumours already had it that one or the other party was receiving a subsidy, that one or both were trying to obtain an "allocation" of seats beforehand lest they be swamped. As in Paris, tongues are busy in couloirs and cafes.

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The three parties just mentioned may be said to belong to the Right although they do not use the term. There is a fourth rightist party, and it is the third of the large parties, the other two being the government and the National Democracy (Chart Prachatipatai) parties. But here the situation is different. The leader of the Prachatipat or Democrat Party is a former premier, Khuang Aphaiwong(s), and he is not connected with the November Coup Group. In fact, he was shut out.

This circumstance came to light last June. In the criminal proceedings of the Naval Revolt Case (of June 29, 1951) the chief defendant, an admiral, declared in court: After the coup of November 7, 1947, which put the present group in power, Khuang Aphaiwong was first set up as premier but later asked to resign in favour of Field Marshal Pibul Songgram.

It is not surprising that the members of the Democrat Party speak and act in a different tenor from those of the two pro-government parties. That here is real opposition was made clear at the outset. At the organisation meeting, held end of April in Aphaiwong's house, the leader declared his party would not work like "bandits" and would not be a "tortoise" which, like the present government, pulled its head into its shell. Less than a month later the party was already considering to form a "shadow cabinet" to watch over the actions and policies of the government and to take over should it win the next election. Said Aphaiwong: "I have enough good men in my party to form such a cabinet."

In July, after campaigning in the field, he announced what his party would do if it came to power. It would clarify the mystery surrounding the shooting of four former cabinet ministers, killed after the February 1949 revolt. It would see to it that every village was provided with electricity. It would better the standard of living. It would study the proposal of resuming trade relations with Communist China, but Aphaiwong did not believe Thailand had anything to gain from such trade. Asked whether he would permit another former premier, Luang Pradit, who is better known as Pridi Panomyong and living in exile in Peking, to return he expressed the belief that Luang Pradit would never come back because he was wanted in the King's (Ananda) Death Case.

He was quite frank about his feelings regarding the Field Marshal despite his old association with him: "What is the use of being friends? I gain nothing from being friends with him. However, in France we all worked together for the June 24, 1932 coup d'etat *—Luang Pibul,

* The th in Thai words does not mean the English sibilant but strong aspiration.

* Bloodless, it yet overthrew the ancient absolute monarchy.

Luang Pradit and myself. Luang Pradit was chairman of the students' group in France while I was treasurer and Luang Pibul was board member."

His party, he continued, would seek election in every province and be a strong one, being composed "mainly of courageous young men." When his wife was asked if she would run she answered that she would like to but her husband would not allow it. He explained he did not want his wife to meddle in politics.

As regards Thailand's foreign policy Khuang Aphaiwong has never expressed any disagreement with the government. From the start he has consistently supported SEATO and the United Nations, close ties with the United States and Great Britain, while holding back about Communist China's recognition. Since, moreover, he has not pronounced any startlingly different domestic program one is left with the impression that here is a potential alter ego to the Manangasila Party, something resembling the American Democrat-Republican or British Conservative-Liberal alternatives. There are no basic differences between the two rivals.

The situation is otherwise with the many small parties five of which (so far) constitute a decided Left.

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It was only natural that at least some of the small parties which mushroomed into existence in the wake of "Hyde Park's" opening last January should draw together. Six months later Thep Jotinuchit, the leader of the Economist Party and the recipient of much publicity, announced plans for a coalition—but not merger—with those opposition parties that had Socialism as their objective. In addition to his own these are the Labour, Socialist, Social Democrat and Hyde Park Movement parties. The leader of the Labour Party at that time confirmed he would consider cooperation with leftist parties but not with any party like Khuang Aphaiwong's.

Thep Jotinuchit, as mentioned, was the leader of a group of twelve politicians, newspaper and business men who in February had paid a clandistine visit to Communist China, described in the Far Eastern Economic Review of May 17. On his return he was arrested but freed on bail to be able to attend the last session of the National Assembly. When this was closed on September 20 he was, however, not rearrested. Next day the Communist Chinese Economic Mission to Cambodia briefly stopped at Bangkok's airport to change planes, permission having been obtained beforehand. There it was met by the Cambodian ambassador to Thailand. Present were reporters and press photographers, a group of about three hundred mainly young Chinese who cheered, and a large number of plainclothes police who listened in to all conversations with the mission members and took pictures. Also on hand was Thep Jotinuchit who garlanded the leader of the mission.

The two men had an amiable chat under the watchful eyes and ears of a policeman. Two days later four of the five leftist parties (the Labour Party being missing) after a meeting of their leaders issued a joint statement to this effect:

There being no reason for believing an aggression against Thailand might occur, the holding of SEATO manoeuvres was "provocative" and the presence of armed forces of other nations in Thailand violated the country's sovereignty. "We, the Thai people, do not want to see foreign soldiers with special privileges on our soil." Furthermore, "the peace loving parties do not believe that war is to be avoided through preparation for war but is to be prevented only through consultations and negotiations." Asserting that the cost of the manoeuvres would be paid out of the taxpayers' money, the statement predicted that, if it did not bring results, "the parties will take the matter to the people to obtain public opinion on it."

Compared with the standard communist party line in "front" organisations the statement leaves nothing to be desired. Noticeable is its bellicose tone.

It was at once condemned by the deputy chief of the general staff who charged that "such a statement could be the work of communist elements. . . . In foreign countries opposition parties do not issue such statements." The National Assembly and nobody else represented the people of Thailand. The four party leaders "obviously do not know anything about the SEATO Treaty," but when opposition leaders were in doubt about anything they could ask questions in the Assembly.

The secretary-general of the Public Relations Department then explained some aspects of the American military assistance and stressed that all SEATO members shared in the manoeuvre expenses.

On the day when the communist mission arrived a strange but not unrelated communication was reported from Tokyo from the New China News Agency. A letter of greeting had been sent by "The Communist Party of Thailand" to the Communist Party Congress in Peking, assuring it that the Communists in Thailand were fighting against American imperialism to "achieve independence, peace and democracy for Thailand."

The spokesman of the Public Relations Department, calling the sending of such a message a violation of the Anti-Communist Act, called on the police to discover its sender and arrest him.

After the issuing of the anti-SEATO statement the leaders of the four parties declared, for the first time together, that they might cooperate in their election campaigns and, if together they won a majority in the National Assembly, form a coalition government.

The leader of the Socialist Party, it may be added, Visit Sripatra, is a former worker of a government railway workshop. Already at his first press conference, held in April in a coffee shop of Bangkok's outskirts, he had opposed SEATO and declared he would take Thailand out of it if his party became the government. Internally, it would concentrate on social welfare projects. Similar intentions were voiced by the leaders of the Labour Party, Prakol Tohlaklam, and of the Social Democrat Party, Suthep Sacchakul. None of these three parties has been much to the fore. The Hyde Park Movement Party, however, broke into print with what might be called an accident.

Its first leader, Pethai Jotinuchit, who on the Pramane Ground had thundered against the powers that be, end of August resigned—in order to join the Manangasila Party. Interestingly, he is the brother of the man who garlanded the communist mission chief.

The party meeting at which this step was discussed and a new leader, Prasong Nuengchamnong, elected ended in pandemonium when the question was debated whether or not Pethai Jotinuchit should be criticised in a party statement. When somebody shouted "black sheep" the lights went out and a free-for-all followed. As a newspaper remarked, this meeting was really full of "movement."

Otherwise, however, the same paper commented, "Hyde Park" seems to have fizzled out like a spent fireworks. It became clear, it said, "that the enterprise was doomed once imprudent (or worse) persons tried to incite the crowds to engage in protest parades and marches, and uttered strong criticisms of powerful personages." Or, "perhaps the public just became bored and turned to other amuse-

THAILAND RICE REPORTS

Six countries have made inquiries for Thai rice including India, Ceylon, Korea, Philippines, Malaya and Indonesia.

Twenty rice mills in Bangkok and Thonburi have been forced to close, leaving only 20 mills operating and throwing out of employment about 3,000 laborers. Representatives of the unemployed laborers called on the Public Welfare Department with a statement that the ricemill situation had been brought about by competition in rice markets, high premiums collected by the Government on export rice; smuggling; and mixture of rice by dishonest merchants resulting in inferior quality. The labor representatives requested the Government: 1. To sell rice to Communist China. 2. To expedite enactment of labor legislation. 3. To lower the premiums in order to reduce the price of rice so that Thai rice may compete better with that of other producers. 4. To lower duties and fees and cut "tea money." 5. To stop smuggling and mixture of rice. 6. To stop hoarding of paddy in the provinces, so that it may flow to Bangkok and Thonburi mills.

The plight of Bangkok and Thonburi mills is caused by a government policy of encouraging small mills in the rice-growing districts to turn paddy into rice before sending the grain to Bangkok. This means lower milling charges and lower rice prices. It also makes it possible to provide low-cost bran as fodder for livestock.

The small ricemill costs are low, meaning lower-cost rice, but, except for some provincial mills with proper equipment and expert personnel, the small mills are turning out rice which is not up to the high grades. Much of this rice contains foreign matter, chiefly morning glory seeds. Morning-glories grow as weeds with the paddy and most small mills do not give the grain proper cleaning. Bangkok, being the port of a rice-exporting country, should have ricemills turning out rice of standards required in the world markets. A balance could be struck between small and big mills. Small ricemills may produce low-cost rice for domestic consumption, the big mills in Bangkok should mill paddy for export.

The Thai Rice Company, biggest operator, has only two mills remaining in operation. During the past year, the company has closed a total of five mills. However, the company still operates godowns for rice shipped from provincial mills for export.

There has been no appreciable decline in rice export trade. During the first six months of last year 55,735 tons were shipped to Malaya, compared with 55,892 tons in the corresponding period of 1955. Other figures were as follows (with the amount for the corresponding period last year in parenthesis): Hongkong 94,550 tons (96,000); Japan 87,513 tons (323,666); Indonesia 109,330 tons (no rice shipments last year); Singapore 159,000 tons (126,000).

The Japanese Government has protested to the Thai Government against supply of rice mixed with foreign matter. The Japanese authorities have found about 70 per cent of the bags of rice containing seeds and other foreign matter.

The Thai Government has ordered millers to stop mixing export rice with foreign matter, since this practice would damage the reputation of Thai rice. The Japanese take care of their own inspection of rice shipments before the rice leaves Bangkok. However, it is not possible to thoroughly check every bag of rice and reliance must be placed on millers' supplying good rice.

Japan is not going to buy any more rice from Thailand. Japan's rice crop is a bumper crop. Japan needed rice earlier last year but Thailand could not supply the amount required. Japan imported only 130,000 tons of rice in 1956. The Japanese Food Agency rejected 30,000 tons of Thai rice because they contain foreign matter.

The problem of the promotion of rice exports does attract the attention of the Government which is aware of the competitive situation in the world's rice trade. A Committee on Rice was set up to find ways and means to promote the export of Thai rice. During the first three quarters of this year Thailand exported a total of 900,000 tons of rice as compared with about 998,000 tons exported during the same period last year. The reduction in Thailand's rice exports in 1956 is likely to be caused by the following factors. Firstly, the limited supply of rice available for exports has constantly kept the prices of paddy to be at a record high level. This is attributed directly to the high prices of Thai rice in the world market, consequently Thai rice is prone to be outcompeted by rice from other countries. Secondly, the sudden cut off of purchase of Thai rice abroad. Last year Japan took delivery of about 300,000 tons of Thai Rice, but it purchased only 130,000 tons during 1956. Thirdly, Communist China and Burma have been able to make headway in sale of rice to Thailand's traditional markets. Fourthly, heavy shipments of rice from the United States during 1956 under surplus-disposable programs have more or less affected the rice trade of Thailand. Fifthly, the low prices for Burmese rice have been a handicap to the sale of Thai rice. The reason for Burmese rice to be cheap is due to the abundant supply of exportable rice. Although the production of rice in Burma at present is smaller than that in Thailand the large surplus of rice in Burma is the result of the enormous quantity of rice accumulated from previous crops. The accumulated stock of rice in Burma at the end of 1955 was estimated at 600,000 tons. The exportable surplus of rice in 1955 was therefore estimated at around 2.1 million tons. The rice situation in Thailand is quite different from Burma, as it had practically no carry-over of rice for export in 1956. Consequently, the exportable surplus of rice in 1956 consisted mainly of the 1955-1956 crop which was estimated at about 1.4 million tons. However, Thailand has a larger population than Burma. The difference in the production of rice between Thailand and Burma for the 1955-1956 crop is more or less absorbed by the difference in the population between the two countries.

Burma will be able to sell almost the entire surplus of rice by the end of 1956, while heavy shipments from the United States under surplus-disposable programs indicate a reduction in stocks. Thailand's rice trade in 1957 may therefore be brighter in so far as Burma will not be in a position to cut its rice prices any further owing to its reduced supply of rice for exports in 1957.

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ments. Anyway, little is heard now of 'Hyde Park' and probably less will be heard in the future."

These amusements, it must be pointed out, should have to be indoors. An intervention of nature, not mentioned by the newspaper, put an end to all attractions on the Pramane Ground: the rainy season, which this year is earlier and more violent than usual. But if "Hyde Park" is deserted, democracy nevertheless "keeps marching on."

(End)

LETTER FROM BANGKOK

Election fever—tropical style—has caught on with the Thais. One talks much about next year's democracy to come. The present set-up will most probably continue but some concessions to opposition will be made. Life in Thailand will not change though on the surface the democratic way will make impressions on impressionable foreign observers. There are many of them around, often nothing but longer-staying tourists.

Tourism is a great dollar, pound, HK$, Malayan $ etc. earner. Bangkok is notoriously short of accommodation for visitors. The tourist boom promises ever more pressure on hotel space. Prices are high and show trend to go higher. Latest hotel addition is the Erawan (means elephant) which took a long time to finish. Now it is up and is very posh and one of the finest in Asia. Other elegant hotels in Bangkok are the Oriental, Trocadero, Princess, Ratanakosin. There are several good second class hotels where foreigners find pleasant service. Prosperity is very much in evidence. It is doubtful whether there are any dissatisfied people (even the oppositional parties are only sarcastic because that seems to suggest they are refined people).

The oversea Chinese (not the native ones) are a government headache. The Thais don't like the Chinese in their midst, they want to assimilate them as speedily as possible. Over a century the process of assimilation would be successful even with so tough racialists as the Chinese (mainly Chiuchow natives) but the advent of the modern age in Thailand has injected into their life an element of impatience. They want to liquidate the Chinese 'problem'. Tension, of varying degrees, continues.

Business is not complaining—much. Actually a long period of prosperity has been enjoyed by all. But merchants as a rule don't acknowledge publicly that they have been doing well. Income tax and other considerations are always militating against truthfulness. The tax rate is too high and so circumvention is the rule rather than the exception. Lower tax rates and more efficient (ruthless?) collection measures might solve the problem.

Everybody feels that Thailand is a good place to live in; few troubles, happy-go-lucky, no worries about the future. Only danger over the horizon is China. Of that, one believes, SEATO will take care. Belief in US strength is unbounded (and quite correctly so). But the presence of so many US experts and nosey parkers is often irritating. Then the press, lacking other suitable subjects of popular appeal, will launch forth in criticising America. Which is of course so easy because there is so much in America and her way of life that cannot possibly appeal to East Asians, let alone Buddhists. What one generally wants from the great US is that it guarantees the peace in Asia and polices this region efficiently and without much conspicuous throwing its colossal weight around. But that's perhaps asking too much.

Thailand is concerned about selling next year's rice surplus which is officially estimated at 1,400,000 tons. Thailand asked Japan to purchase more rice in order to balance trade between the two countries. The Thai deficit in her trade with Japan has been estimated at ten million U.S. dollars.

The Ministry of Industry wants to encourage long-term investment projects. There is interest in industrial investments on the part of foreigners. A French fabric concern was interested in purchasing 10,000 tons of castor seed a year for the manufacture of a synthetic fabric. The firm would send experts to study the possibilities of establishing a castor seed plantation and a processing castor oil plant. Machinery and equipment were expected to arrive soon for a marble plant in Saraburi, a sugar factory in Supanburi and a paper factory in Bangpain. An Italian firm was setting up a bicycle tire factory. Thailand was using an estimated 50,000 tires a year.

The Thai government will launch an advertisement campaign to promote Thai rice exports. The decision had been taken in view of acute competition from other rice exporting countries. The proposed budget for the advertising campaign was one million ticals.

PROBLEMS OF THE PHILIPPINES' MUSLIM SOUTH

By A. F. Paredes

God does not change the condition of the people until they change it themselves. So goes a verse in the Holy Quran. It is such a reading as this that now impels Muslim leaders. The condition of their people is unhappy. There are some two million Filipinos who are followers of the creed of Islam, living in Mindanao and the islands of Sulu and Tawi-Tawi, the string of beautiful atolls in a blue sea that links the Philippine South to Borneo and Indonesia. After a glorious past, Muslimland had stood still. The villages and the tribal societies have largely remained what they were during the past centuries. There is great poverty, illiteracy, disease, low productivity, and misgovernment. There is a wide gap between the Filipino Muslim and his Christian brother from the North: a mutual suspicion and lack of understanding carried over from the wars of the past centuries, and the implications of the terms 'Moro' and 'Bisaya,' for 'infidel' and 'unbeliever' and 'slave.' These conditions will take a great deal of changing.

Last October, thousands of delegates from the Muslim provinces gathered in the ancient city of Marawi (before Dansalan City) at the mouth of Lanao Lake—where Sharif Kabungsun, an Arab-Malay missioner, had first preached the faith of Islam in 1450—to discuss the ways of lifting their conditions of life, and the means of cooperating with their more progressive Christian brothers. It was the second Muslim Congress—the first having been held last year at Cotabato, and it was a time in which diverse religious, economic and political pressures bore upon an age-old faith. The Philippine South was converted from paganism to the Muslim faith during the ascendancy of the Arab Empire in the first half of the fifteenth century. Under the banner of a Holy War, the Arabs rode out from their native deserts,

conquered all of North Africa, falling upon the Eastern Roman Empire, taking Constantinople, and spilling out into Iberia. Sharif Kabungsun and men like him preached at the Muslim centers of Indonesia and came to Mindanao from the islands of Sulu. Under Islam, the folk of the Philippine South gained a religious reason for their native valor. Islam was a warrior-religion; and so a feudal type of monarchy evolved. The tribes were ruled by their kings, who were chosen on the basis of sagacity and bravery in war. A high degree of civilization evolved, with advances in mathematics, writing, and the iron art. Trade was carried on, through their sailboats, with China, India, and Arabia. From Borneo, Sulu, and Mindanao, colonizers spread northward through the Visayas, establishing Muslim settlements in what are now Manila, Pampanga, and Pangasinan.

The Spanish succeeded in over-running these new settlements late in the sixteenth century, but were never able to completely conquer Mindanao, nor the sultanate at Sulu. Through several jihad, the Muslim South held off Spanish attempts to establish Christianity. The Americans fared only a little better. Because Christian Filipinos from the North had both been fair game for Muslim raids ('Bisaya' is a Muslim term for 'slave') and had been part of the Spanish and American commands, the gap between the Muslim and his Christian Filipino brother widened, both having bitter memories of the 'Moro' raids upon the coast of Luzon and the punitive 'cotta' wars.

The Western colonizers brought to the more passive North the blessings of their advanced industrial and political, as well as religious, knowledge. During the era of the Holy Roman Empire, the Catholic Church had been as autocratic and as despotic as Islam. Schisms and liberalizations brought about the secular state and limitation of the powers of the temporal and the spiritual sovereigns. Liberal political doctrines shifted to the conquered North. Like Japan till Perry's guns opened it, the Muslim South remained conservative and backward. Islam has had no provision for the changing times, no liberalization enforced by schism. There is no central Islamic authority in the pattern of the Church at Rome. As a result, Islamic society is lagging behind the political and economic pace of the world.

This is the core of the problem of the Muslim South. Islam, whose sole authority is the Quran, presses heavily upon the individual Muslim, not only his spiritual, but his social and economic life. A rigid hierarchy governs his political life, an interlaced system of datu and sultan, of agama (court) etc. Leaders like Senator Domocao Alonto have tried to face the harsh truth: "Today, our religion," said the Muslim Senator, "has, to a great extent, become one of the deterrents to our progress, instead of being the greatest factor in accelerating our progress—as it should be—because of our religious ignorance and our lack of religious instruction. The religious ignorance of our people has led toward religious fanaticism. Where we are enjoined by our religion to observe sanitary and hygienic habits, these are the things most wanting among our people. Where our religion taboos superstitious thinking, a great many of our people are a superstitious lot. Where our religion enjoins us to spend our wealth and energy in matters that will properly guide us religiously, we prefer to spend them on wasteful and purposeless affairs."

Added to these religious problems, the complete integration of the Muslim South with the rest of the country has been hampered by national prejudice. The Muslims have always been termed 'Moros,' an unhappy term of Spanish origin and classified officially as a religious minority. Since the coming of the Americans, the government policy has been one of attraction. There have been dole-outs and favors. Various offices were created to look after the Muslims' welfare, but educational, social, and economic needs have been neglected. In education, there has been an apparent lack of studies that would suit their temperament and belief.

These are the current problems the Filipino Muslims find most important: (a) They want the government to stop the flow of non-Muslim settlers to Mindanao, and to allocate the disposable portion of the public domain to the local Muslim, to obviate serious agrarian problems in the future; (b) They clamor for the extension of industrial and business opportunities to them and to appropriate funds for the development of their native handicrafts, arts, and cottage industries.

ECONOMIC LETTER FROM MANILA

The National Power Corp. has started work on the second major hydroelectric power station to be constructed on the Agno River (the newly completed Ambuklao project was the first). The second project, to cost around P80,000,000, is being constructed at Binga, Itogon, Mountain Province.

The estimate of Philippine rice production for the 1957 crop year has been raised 75,832,200 (about 4,246,603 metric tons). The expected increase is based upon ample water supply, widespread use of fertilizers, improved methods of cultivation and higher acreage.

The cost of living index in Manila at the end of October, according to the Bureau of the Census and Statistics, stood at 312.6 (1941 equals 100), the highest since 1953. It compares with 311.4 at the end of September and 305.1 at the end of October last year. The rise in the cost of living has been consistent since February of this year and shows no sign of slacking off. The Middle East crisis has not appeared to be reflected in the cost of living. The continued rise is generally attributed to the revised higher tariffs on U.S. imports, upward revision of duties on goods coming from other countries, generally higher costs of goods coming from countries enjoying unprecedented prosperity, and the Central Bank's restrictions on dollar allocations for the second half of 1956. Prices in the near future may tend to stabilize as the result of the Central Bank's recent more liberal dollar allocations to producers and end-users, to become effective at the beginning of next year. The recent decontrol of a variety of food and medicinal items may also act to check prices. However, decontrol of such items will be effective only if the Central Bank can see its way clear to grant the dollars to pay for the increased imports which are now theoretically allowable.

A continuous spot check on all shipments from the United States and Europe to discourage the smuggling of undeclared items was decided. A spot check on goods from Hongkong and Japan has been carried out regularly in the past. Up until the beginning of this year the same sort

of precautions were seldom taken against goods from Europe and the United States, since there were very few infractions of the customs regulations in goods coming from those areas. However, the new duties on U.S. goods that went into effect on Jan. 1 have recently encouraged some importers of U.S. and European goods to attempt to smuggle luxury items.

Formal discussions on the plan for the Philippines to import some $24,000,000 worth of U.S. surplus farm products started. The commodities will be paid for in pesos over a period of 20 to 30 years. Principal objectives of the Philippines will be to bring down the local price of prime commodities through the additional large imports and also to stockpile food against emergencies. The surplus deal will include a large amount of raw cotton to assure adequate raw materials for Philippine textile mills.

The Philippines in the first six months of this year cut its imports to $243,000,000, down 15% from the same period of last year; and in the same period boosted its exports by 6%, to $226,000,000. It was thus able to reduce its trade deficit for the first half of this year by 77%, to $17,000,000. In the same period, by cutting its imports from the United States by about 13%, to $157,000,000, and by boosting its exports to the United States by 3%, to $144,000,000, the Philippines pared its trade deficit with this country by 68% to less than $13,000,000 for the first six months of this year.

Smith, Bell & Co., Ltd. celebrated the 110th anniversary of its business operations in the Philippines. The firm was established in Manila in 1846, just a few years after the Port of Manila was opened to world trade activities. Long identified with the growth of the country, Smith, Bell & Co., Ltd., has pioneered in many enterprises. It was responsible for the establishment of the first rice mill in the country, the first sugar refinery, and the first lighter and tug service. Just recently it became the first company in the Philippines to print continuous forms for business machines. Aside from its shipping, insurance, import and export and agency interests, the firm is also the manager of Red V. Coconut Products, Ltd., desiccated coconut producers, whose annual exports to the United States constitute about 30 million lbs. of desiccated coconut, roughly 30% of the market. The founders of the firm were three British pioneering businessmen: James Adams Smith, Robert Philip Wood, and Lawrence H. Bell.

Trading in shares of Philex Mining Corp. has started on the floor of the Manila Stock Exchange following the listing of the shares on the small board. Listed were 5,000,000 shares of the company's capital stock actually issued and outstanding at a par value of P0.10 each. A special meeting of the company's stockholders was to consider a proposal to increase the capitalization of the firm from the authorized P2,500,000 to P6,000,000 in order to finance construction of a planned ore mill at the Santo Tomas copper and gold properties 12 miles south of Baguio and to finance the development of other sites. The proposed capital expansion would allow stockholders to subscribe to nine additional shares for each share held on that date.

Officials of the National Economic Council and of the U.S. International Cooperation Administration agreed to shift the weight of U.S. aid in the Philippines to private manufacturing industries. The NEC is looking into the feasibility of utilizing reparations items to complement U.S. dollar and technical assistance, so that the U.S. assistance can be concentrated in areas not benefitted by reparations. The Philippines will make arrangements to procure additional amounts of U.S. surplus farm products. The Commerce Department has stepped up its campaign to develop rural cottage industries and small local manufacturing enterprises. The Philippine Government has designated the Bank of Tokyo to handle the Philippine reparations account. The National Economic Council clamped a total ban on the export of scrap iron and steel.

The joint aviation research project of the Philippine Armed Forces and the government's Institute of Science and Technology resulted in the completion of a fifth experimental aircraft. The plane, designated the L-17 Musang, is a full cantilever, low wing monoplane with a tricycle landing gear. Developed over a period of two years, it is now undergoing functional tests by the Philippine Air Force. The plane is intended as a light trainer and personal aircraft. All the materials of its airframe are of local wood and plywood. It is powered by a Lycoming 108-HP air-cooled engine and has an estimated maximum level speed of 125 MPH.

A 40-foot high monument on Corregidor to symbolize Filipino-American friendship during the last war will be erected by the National Shrines Commission. The monument will be part of the commission's long-range project to enhance the attractions of Corregidor as a tourist center. Prof. Guillermo Tolentino, dean of Filipino sculptors, is in charge of design and construction of the monument.

The International Cooperation Administration turned over to the Philippine government printing machinery and equipment worth $132,800. The equipment, which will be used by the bureau of printing, includes three typesetting machines, three small and two large offset presses, photographic laboratory equipment, two lead melting furnaces and a forklift truck. The new machinery and equipment will increase the productive capacity of the government printing office by 50%.

The new P300,000 plant of Aircon, Inc., was inaugurated Nov. 19 in Makati, Rizal, about five miles outside of Manila. The Filipino corporation, capitalized at P1,000,000, started operations as a manufacturer of air conditioning equipment three years ago. It is now one of the biggest air conditioning companies in the country. The new plant can turn out 20 room air conditioning units daily, in addition to its production of various components of central air conditioning systems in sizes from 10 to 50 h.p. and larger. President of Aircon is Jose Concepcion. The board of directors includes Gerald H. Wilkinson, M. R. Arick, and V. E. Lednicky.

Philex Mining Corp. is planning the immediate erection of a milling plant to treat the copper-gold ores taken from the Santo Tomas group of three mineral claims which it has under option on a royalty basis. The claims lie about 12 miles due south of the city of Baguio and contain an estimated 20,000,000 tons of ore with an average grade of 1% copper and three pesos of gold per ton. An ore body has been delineated with an average width of 500 feet, length of 800 feet and depth of at least 600 feet. It is said to be the third largest copper ore body in the Orient, ranking after that of Atlas in Cebu and Sipalay in Negros. The first unit of the mill, to be set up as soon as possible, will have a capacity of 1,000 to 1,250 tons of ore per day, with expansion to 3,000 tons planned out of earnings. First body of ore to be worked will be a large block near the surface which averages 1.3% copper and four pesos gold per ton. The Philex mining operations at Santo Tomas will mean the construction of a complete new town and eventually will give jobs to up to a thousand workers.

NGO DINH DIEM AND VIETNAM

By a Correspondent

The Vietnamese keep the vigil the entire day and night for in the north, across the mythical line of demarcation—the 17th parallel—lies the Vietminh. There is a threat to the life of free Vietnam. In the west are Laos and Cambodia—two countries whose hearts are nationalist in essence but neutralist in expression. Vietnam must guard its northern and western borders lest Red agents creep in the night. Vietnam must shake off the inertia and lethargy of centuries.

The Vietnamese have a leader. He is the impersonation of Vietnam courage, patriotism, and virtue. Like most Vietnamese he is outwardly calm, cool, and patient. He is soft-spoken and even bashful. But inside he is tough, firm and unshakable. He is short, stocky and has a slightly awkward gait. He is always correctly dressed. He has a ready smile and his eyebrows move up and down as he speaks. His eyes are soft and tender when he speaks and his lips open in a hearty laugh as he chuckles over his own or others' jokes. The only indication of the seething fire beneath the mellow, unruffled surface of his outside appearance is the way he smokes one cigarette after another. He crushes a half-smoked cigarette on the tray before him and lights another. He practices what he preaches—he smokes only Vietnamese cigarettes. This man of destiny is Ngo Dinh Diem. Born of well-to-do parents near the ancient Imperial city of Hue, he grew up in courtly grandeur. His father was a minister in the court of the King of Annam whose seat was in Hue. At that time French Indochina was divided into Tonkin, Annam, and Cochinchina. The entire country was ruled by the French but in Annam was a Vietnamese king who was a puppet.

Inasmuch as the ministers of this king had to be in daily contact with the people, Ngo Dinh Diem realized early in life that one day he must lead his people to freedom. He was aided in the pursuit of this ideal by a sound Catholic training which accentuated the glories of martyrdom and the rewards of missionary zeal. He knew that the obstacles would be almost insurmountable. The challenge for service and even heroisms was there. And Ngo Dinh Diem methodically and carefully prepared to meet that challenge. At 32 he was made Minister of the Interior. Immediately after his appointment he proposed a radical change in the government. The French protectorate must not encroach upon the basic human rights of the Vietnamese. The people of Vietnam must be given an opportunity to participate in public affairs. This was in 1933. Diem's views at that time were regarded as dangerous and even seditious. Diem's progressive ideas were summarily rejected. Diem resigned as Minister of the Interior and lived a life of quiet solitude and seclusion featured by studies on political and social problems. He was in constant touch with leaders of various patriotic movements and at one time narrowly escaped arrest by the French authorities who had decreed his exile to Laos.

At this point a new figure appeared upon the stage of Vietnamese political life—Bao Dai, the playboy Emperor of Vietnam. Twice he offered Ngo Dinh Diem the position of Prime Minister in order to form a new government for Vietnam. Twice he refused the offer for it was impossible to establish a genuinely free government in the Bao Dai puppet regime under the Japanese. Complications came and multiplied. Ho-Chi-Minh and the Communist Vietminh came into power. Diem was immediately arrested and exiled. But Ho-Chi-Minh in 1945 wished to gain the support of Vietnamese Catholics. Hence, he released Diem and asked him to participate in the formation of a new (Communist) government in Hanoi. Diem declined the offer. Bao Dai requested Diem to form a provisional government in 1949. Diem refused to cooperate with the Emperor for according to the agreement with the French, Vietnamese freedom would be only a make-believe independence. He, therefore, proceeded to learn more about the rights and obligations of sovereign peoples by travelling in Europe, America and Japan.

June 19, 1954 was the date of the Fall of Dien-Bien-Phu. Bao Dai gave Diem full political and military powers to form a new government. This time he accepted the offer. In July of the same year he formed the first Vietnamese Cabinet. The French forces left North Vietnam and the Catholics there fell under the heels of the Vietminh. The Geneva Agreement was signed by the French but not by the Vietnamese whose country was divided into North (Communist) and South (Free) Vietnam. Various religious sects—the Cao Dai, the Bin Xuyen, and the Hoa Hao controlled the police, and operated the vice dens and gambling houses of Saigon. They harassed Diem. They were aided and abetted by the French for they were all against Diem who now became the symbol of unity and solidarity of the Vietnamese people. Here, at long last, was a rallying point for the long-beleaguered Vietnamese.

One million Catholic refugees came down in make-shift rafts, in U.S. Navy boats, in dugouts, sailboats and all other available means of transportation from Hanoi to Haiphong and from Haiphong to Saigon. The United States, of course, was there with men, material, equipment, and food. On October 23, 1955 the Vietnamese people voted Bao Dai out and proclaimed the Republic of Vietnam with Ngo Dinh Diem as first President.

What has Diem done in less than two years? He has destroyed the various religious sects which were harassing his government and people. He has demolished all opium addicts' dens, gambling houses, and houses of prostitution. He created the civil guard and reorganized the Vietnamese army. In the economic field he has established credit, rehabilitated abandoned farms, made possible the setting up of industrial plants, and has resettled 100,000 refugees in the Caisan area (215 square miles) with the aid of America. Other refugees have been resettled in various places and the government is getting the Camau area and the Plaine des Joncs (100,000 Hectares) ready for development and occupation by small farmers. The land reform movement is very much like that of Taiwan. The slogan is "land to the tiller."

A number of hydro-electric dams (Dong-Cam, Dan-Him, Truong-De) have already been built and some are being blueprinted to start a chain reaction with electrification, the opening of industries such as rubber processing, paper, plywood, prefabricated homes, and bamboo products. The educational system is being reformed but standards will, in all likelihood, remain European and Vietnamese, not American. Some American methods and short cuts will be used but the spiritual and moral basis of education will remain. There will be no early specialization at the sacrifice of cultural traditions and morality.

The Vietnamese Army is being built up. It has now 10 combat divisions provided with the latest weapons by the

United States. More than one half of the total U.S. aid to Vietnam goes to the Vietnamese Army.

On October 26 the first anniversary of the establishment of the Republic of Vietnam was celebrated. The Constitution was ratified—the Constitution to which Ngo Dinh Diem has personally contributed his vast knowledge of constitutional law. Diem's whole philosophy of life is based on the belief that life must be governed by the Moral Law. The Vietnamese Constitution and the entire government of Vietnam reflect this philosophy of life. President Diem said, it is necessary that the people acknowledge the authority of a Supreme Being. Unfortunately, only the masses have retained this belief for the intellectuals have fled from it. "The fight against Communism must be waged on three fronts: spiritual, intellectual, and material," he said. Thus anti-Communist cadres have been established all over the country. Government officials themselves participate in these cadres under the supervision of the Ministry of Information. Heads of families attend classes twice a week at night and public officials and employees of the government teach in these classes without compensation. All materials and teaching aids come from the Ministry of Information. Part of the budget for the offices of this project comes from the Ministry of Information and part from contributions of civic organizations. These heads of families—men or women—discuss democracy, cooperatives, rural banks, rural development, land reform, and industry. They are informed on the latest developments in the world specially with regard to Communism and its encroachments on freedom. They are organized into mobile units and vigilantes to aid the government not only in exposing and denouncing Communism but also in actually apprehending Communist infiltrators and subversives from the north and west. Thus they have been able to capture Communist arms, ammunition, and propaganda.

Ngo Dinh Diem seems to be a Dictator. His picture is everywhere. His every move becomes a news item. He does not believe in too much democracy. But under the present circumstances it is necessary that Diem be a benevolent dictator—at least for the first formative years of the Republic's existence. One redeeming factor is Diem's unerring sense of fairness. In spite of his being a devout Catholic in a land predominantly Buddhist he has never taken advantage of his position to coerce the majority of the people. In looking for a sound foundation for the new Republic Ngo Din Diem said, April 17, 1956: "Such a basis can only be a spiritual one. Thus we affirm our faith in the absolute value of the human person, whose dignity antedates society and whose destiny is grander than time. We affirm that democracy is neither material happiness nor the supremacy of numbers. Democracy is essentially a permanent effort to find the right political means for assuring to all citizens the right of free development and of maximum initiative, responsibility, and spiritual life."

Ho-Chi-Minh and Mao-Tse-Tung never speak in this manner. President Diem will need a school of young leaders. He will need more American aid for the agricultural and industrial development of the country. He will have to count on the help of SEATO—just in case. He must uplift the masses who have grovelled in the dust for ages. He must give Vietnamese culture a much needed shot in the arm. All this he can do—because he is not afraid of anything. He follows the Moral Law.

REPORTS FROM JAPAN

New Trend of Management/Labour Relations

Such managerial tenets as "what's good for business is good for the public" and the proverbial "carrot and stick" are undergoing some rethinking and reappraisals by representative Japanese business leaders within the Japan Federation of Employers Associations, National Federation of Economic Organizations and Business Managers Association. Recent literature and talks by the business and economic elite indicate that there is gradually developing among them a new concept of human relation in promoting social and public welfare along with their efforts toward raising productivity and enhancing economic growth. This departure in their thinking reflects recent trends of far-reaching significance in the Japanese social and economic scene which call for new approaches. These trends include:

1. Growing Socialist political tendencies. 2. Stronger leftist leanings of labor unions. 3. Japan-Russian rapprochement, possibly extending to Red China. 4. Japanese economy emerging from stability to new growth. 5. Influences from automation and atomic energy.

At the 10th anniversary meeting of the Federation of Economic Organizations, two basic resolutions were passed in consideration of the new trends. The first called for efforts toward sound economic growth and promotion of public welfare, and the second respect for international faith and cooperation for world economic prosperity and growth. The former reflects a growing sense of public responsibility by the business and economic community—the idea that business management should not aim purely at the profit motive but should serve society as a whole including employees and consumers. As for the latter, the original idea of stressing cooperation with the Free World was revised presumably in deference to possible opening of trade and diplomatic relations with Russia and Red China.

However, importance of this new business thinking in social and public welfare and human relations lies in its relation to raising industrial productivity in future. The following considerations are believed to have been taken into account:

(a) Business management has close relations with the fiscal and banking phases, management and stockholders are becoming separate, and corporate business is more and more being linked directly to national livelihood. (b) More and better public relations are needed to gain public understanding and cooperation in corporate activity. (c) Sense of unity in purpose and activity between labor and management is necessary. (d) Human relations (respect for human personality) is necessary in promoting labor incentive (as in solving wage and employment problems). (e) Promotion of public welfare through adequate fringe benefits as housing, family medical care and education, retirement allowances, unemployment insurance, etc. These develop social consciousness of business and sound social thinking among employees. (f) Training of new technicians for automation and atomic age necessitates close cooperation among schools, Government and businesses, and better treatment of technicians.

At the same time, business leaders realize many obstacles and hurdles. Among them are: (a) How to reconcile the profit motive with human relations. Problems involved here are excess labor including rational solution of workers'

complaints, speculation, competition, etc. (b) Fair competition particularly in relation to small business will be difficult, and might cause numerous hardships. For example, bridging the wage gap between big and small businesses presents problems. (c) Corporations if run as a public trust must be examined by competent private or semi-Government bodies but this system is still in its infancy in Japan. (d) Corporate effort alone is not sufficient in elevating national economy and livelihood, but sound Government leadership and guidance are also required. (e) How to weave into Japanese social thinking, the principles of equality of man and respect for each other's personality is difficult.

Foreign Investments in Japanese Securities

Citizens of Nationalist China, Finland, West Germany, Greece, India, the Netherlands, Sweden, Thailand, United Kingdom, the United States, Uruguay and Yugoslavia can now buy Japanese stocks in yen on the Japanese stock market. The Government Ordinance No. 321, dated Oct. 27, 1956, opened the way for citizens of the above designated countries to purchase issued stocks with yen. It was one of a series of moves aimed to give to citizens of other nations the same privileges in commercial activities as Japanese citizens under the principles of the Japan-U.S. Trade and Navigation Agreement. This step should have been taken when the trade and navigation agreement was signed by Japan and the U.S. in October, 1954. But the capital structure of Japan's major companies was still weak at that time, and it was feared that foreign investors may buy up stocks and take over management of Japanese companies unless restrictions were placed on the sale of stocks. The governments of Japan and the U.S. therefore deemed it necessary to set up a two-year waiting period. Since then, the stock capital of Japanese companies expanded as a result of the third fixed assets re-evaluation, and the possibility that the companies may be bought up by foreign investors receded. It was agreed in this light that the citizens of the aforementioned countries should be allowed to buy issued stocks of their choice when the two-year waiting period expires Oct. 30.

Three points should be noted in this new step authorizing foreigners to buy Japanese issued stocks. (1) Designated Foreigners: The lifting of restrictions against purchase of stocks applies only to citizens of the United States and those nations which are granting most-favored-nation treatment to Japan. Citizens of these nations may purchase Japanese stocks regardless of their place of residence and irrespective of the source of their yen fund. The following funds, however, may not be used for purchasing stocks: (a) film accounts; (b) accounts of foreign governments; (c) yen deposits to be transmitted to banks, insurance and express companies of foreign nation; (d) U.S.-Japan joint defense funds; (e) Mutual Security Aid funds and funds accruing from sales of surplus farm products; (f) Japan's share of expenses for maintenance of the U.S. Military Advisory Group in Japan; (g) funds connected with the U.S. Security Forces and U.N. forces in Japan; (h) former special yen funds; (i) reparations funds; (j) yen base escrow account; and (k) triangular trade accounts.

(2) Restricted Stocks: Validation is required for purchase by foreign nationals of stocks of companies operating water supply, gas, electricity, railways, transportation, aviation, mines and banking. Validation can be obtained quickly and with no red tape in the case of simple investments. But permits may be denied when a prospective investor proposes to buy several million stocks and there is reason to believe the individual concerned wants to buy up the management.

(3) Ban on export of stock certificates: Stock certificates purchased with yen currency may not be exported. Officially, applications for permission to export stocks are to be accepted and reviewed case by case, but the basic policy is not to issue such permits.

Foreign investors must go through the prescribed process when they wish to change the principal, dividend and capital gains into foreign currency. Also the stocks in such cases must have been initially purchased with foreign currency.

It is difficult to estimate just how much combined yen fund is possessed by citizens of designated countries. Since yen funds accruing from the showing of films are ruled out in this case, the simple yen deposits of nonresidents is expected to be somewhere in the vicinity of Y3,000 million. The yen funds in possession of resident foreigners is expected to run into colossal figures.

Prospects of Foreign Investments in Japanese Stocks

Foreigners of designated nationalities became free to buy Japanese stocks on Oct. 30. This is expected to go a long way toward elevating Japan's credit abroad and also strengthening solidarity among the free nations of the world. In the past, foreigners were not permitted to buy or sell Japanese stocks even in cases where they held or earned yen currency. This inconvenience has now been done away with.

However, the latest relaxation of the Foreign Investment Law did not go so far as to free foreign investors of all restrictions in acquiring Japanese stocks. That is, foreigners who can benefit from the latest Government action are limited to 13 nationalities. The scope of designated nationalities will be gradually expanded as Japan resumes formal ties and concludes treaties of amity and commerce with more countries.

Foreign investors are not free to buy certain varieties of stocks. However, foreigners can acquire these "restricted stocks" after obtaining Government permission if their purpose is mere investment and not participation in management. But they need not go to great trouble in doing so, since securities dealers are ready to handle necessary procedures on their behalf.

Such being the case, it may safely be said that almost all varieties of stocks are open to acquisition by foreigners. What claims attention in this connection, however, is that in case foreigners purchase stocks with yen currency, dividends or proceeds from their sale can be collected in no other currency than yen. If they want to convert dividends or proceeds into foreign currency for repatriation, they must buy stocks with foreign currency as in the past. Thus, the remittance home of foreign currency is still subject to restrictions. These limitations will be eased by degrees with the growth of Japan's national power.

Regarding the question of repatriating foreign currency, attention must be called to the purchase of stocks with the yen currency of the Non-Resident Deposit Account. Up to the present, non-resident foreigners were required to keep their yen holdings frozen in the Non-Resident Deposit Account of foreign exchange banks. But the latest easing of the Foreign Investment Law has enabled these foreigners to spend the frozen yen currency in acquiring Japanese stocks. The Finance Ministry is thinking of allowing these frozen yen holdings to be converted into foreign currency and repatriated gradually. Therefore, in case non-resident foreigners purchase Japanese stocks with the yen currency of the Non-Resident Deposit Account, they must ask securities dealers, who will act as their proxy, to see that the future proceeds from the sale of acquired stocks can be put in this deposit account again. Otherwise, they will miss a

chance of converting into foreign currency and repatriating their yen holdings if and when the Government decides to allow non-resident foreigners to do so in the future. This precaution is not necessary in the case of resident foreigners. They can use "blackmarket" yen currency in buying Japanese stocks. However, they must weigh the possible gains and losses from the standpoint of taxation.

At present, Japan's taxation system is greatly in favor of stock investors. They need not pay taxes, however much they may earn from stock transactions. A 10 per cent tax is levied on dividends at source. However, this tax plus 30 per cent of the dividends is deductible from the overall tax on the total of other incomes. Therefore, no tax is levied on those persons, who make a living only by investing in stocks.

At the moment, Japan's stock market is showing very brisk activities. And Japan is steadily gaining in economic strength. The latest relaxation of the Foreign Investment Law will induce many foreigners to buy Japanese stocks. However, they must be reminded of the need to invest in stocks of those companies, which hold a possibility of future growth. To buy stocks is to place trust in the capacity for development. Therefore, foreigners must purchase blue-chip stocks of those industries which promise good prospects of growth. There are many stocks, whose yield amounts to eight to 8.5 per cent. This makes it possible to utilize assets on favorable terms. Especially, the stocks of chemical and synthetic fiber industries offer attractive opportunities to investors.

As for margin transaction, resident foreigners are able to engage in speculative stock transactions by putting up a 30 per cent margin as in the case of Japanese investors. Margin transaction, if favored by luck, will produce huge profits. It is difficult, however, to reap profits in a short space of time while paying a daily interest of 3.2 sen. It is considered wise for foreign investors, who are not accustomed to the Japanese stock market, to refrain from dabbling in such transactions. It is those investors who set their sights six months to one year ahead who will make large gains in the long run. It needs to be emphasized again that to buy Japanese stocks is to take part in the development of Japanese economy.

Japanese Pearls

No longer are pearls regarded as the product of the Persian Gulf nor of the Arafura Seas. They are a product of Japan. If traders of the world want pearls they come to Japan. Almost every one of the thousands of tourists from the United States, from Europe and from other parts of the world who come to Japan each year carry home a necklace or a ring. Those whose itinerary allow them an extra few days try to visit the picturesque inlets along the Shima Peninsula, the breeding grounds of the Japanese pearl, south of Nagoya.

Many years ago a fantastic old man named Kohkichi Mikimoto declared "I promise to place a noose of pearls around the necks of all the women of the world!" Mikimoto the founder and patriarch of this fabulous industry died a few years ago, but his vow is rapidly being fulfilled. America alone is paying $60,000,000 annually for pearl "strangulation." The total amount of pearls exported to Europe and other parts of Asia each year is said to be valued at Y5,000,000,000 (approx. $14,000,000). This provides the Pearl Industry Promotion Association of Japan with ample basis to be optimistic, and it is prophesied by experts that at this rate the exports of pearls will eventually climb to Y10,000,000,000 (approx. $28,000,000) annually.

A new Pearl Center has been established in the port city of Kobe, and a so-called New Year Building in Ise on the Shima Peninsula has been built.

Japanese people have been noted for their ingenuity and skill in taking over and perfecting what other peoples have left unfinished. They were the ones to perfect the culturing of pearls both in theory and in practice, but there were other compatriots besides old man Mikimoto who helped achieve this great task. Mikimoto was instrumental in founding the industry and promoting and marketing the cultured pearls. His superb salesmanship established the unchallenged position of the Japanese pearls in the world markets.

The other pioneers whose names should be mentioned along with that of Mikimoto in the opening chapters of the history of cultured pearls are inventors Shimpei Mise and Tohkichi Nishikawa, researchers and theorists; the Fujita brothers who perfected the Mise-Nishikawa Theory; Otokichi Kuwabara, dentist-inventor of tools and instruments for pearl processing, and Kikutaro Konishi, the mother-of-pearl button dealer from Osaka who invented the shell core for the cultured pearl.

In 1887 Mikimoto started in the pearl business and succeeded in culturing semi-spherical pearls in 1894. Semi-spherical pearls are formed right on the oyster shell and have to be pried off with the help of instruments.

The men to whom the production of perfect spherical pearls is attributed are Shimpei Mise and Tokkichi Nishikawa. In 1907, these two men applied separately for patent rights for the pearl culturing process that they had each completed at around the same time. The methods of both these men were by coincidence, identical. Both had inserted a round core together with a piece of mantle-membrane into the connective tissue and found that the mantle membrane grew around and secreted nacre over the core, which, in three years, developed into a round pearl.

Until that time no scientist nor inventor in any part of the world had hit upon the idea of inserting into the oyster a piece of mantle membrane together with the core. It is strange that two Japanese at the time should have thought of the same idea, and succeeded in their experiments almost simultaneously.

Wherever there is a small cove and inlet along the colorful Pacific coast line stretching southward from Ise city, there is a pearl farm. Hundreds of wide rafts, supported by air-filled oil drums, can be seen floating lazily on the placid waters. Each raft is covered with a bamboo frame from which the oyster cages are hung with either Manila rope or nylon cord.

Especially well known as pearl centers are Matoya Bay, Ago Bay and Gokasho Bay. On Ago Bay is located the famous Mikimoto Pearl Farm, and on Kashiko-jima Island overlooking that bay stand the National Pearl Research Institute and the Shima Kanko, a beautiful modern Western-style hotel built especially for tourists who come from all over the world to watch nature and man work hand in hand in creating the beautiful gems.

The Pearl Research Institute has on display the primitive utensils and instruments that were used by the pioneers in producing the first round cultured pearls in the world.

In the early stages, the cultured pearls were only about the size of a poppy seed or perhaps a grain of millet. Mise used small silver and lead pellets for cores, until the Osaka button dealer, Konishi, came up with the discovery that pellets of shell material made better pearls. Before the war, fresh water shells from lakes in China were used as material for the cores, but since the war, shells have been imported from the banks of the Mississippi river, Kuwabara, the dentist, contributed to the streamlining of the operation by inventing tools and instruments for processing the live oyster. It seems that even the stubborn oyster had to open its mouth for the dentist.

Mise and Nishikawa eventually joined forces in their research and Nishikawa's assistants, the Fujita Brothers,

HONGKONG'S PROSPERITY AND INDUSTRIAL DEVELOPMENT

By Ricardo

A growing number of local businessmen, financiers and bankers realise the importance of the development of local industries to HK's future prosperity. However with the increasing difficulty in the marketing of HK manufactures, many local investors are sceptical about the chance of survival of a large number of existing factories and are pessimistic over further expansion of overseas markets. Most manufacturers worry about the growing competition from Japanese and Chinese products. Some try hard to find a solution but only a few seem on the right track; the majority are struggling in the dark with insufficient capital and little knowledge about foreign markets. Investors show concern about the future of HK and a frequently talked-about subject is: "Will Peking 'liberate' HK?"

Peaceful Co-existence & Hongkong's Prosperity

If one is to accept that the maintenance of HK's present status depends on Peking's good neighbourly policy, then HK should remain a British territory for many years to come because HK is not politically and strategically important to Peking. Recent events in the Middle East show that no third world war will occur; what is of immediate concern to HK is that the Far East will remain in the same state of suspended animation as for the past several years. Peking is not asking for trouble and the US is determined to maintain its armed watchfulness lest Peking changes its mind. Hongkong therefore will continue to enjoy the same degree of security as before.

The prosperity of HK depends upon its earning power which alone will guarantee the Government spending of millions on the new airport, hospitals, schools, office buildings, roads, reservoirs, resettlement projects, etc. According to Mr. Edward Szczepanik of the HK University in the "Computation of HK's National Product" (Far Eastern Economic Review No. 22, 1956, page 645), earning during 1955 is estimated as follows:—

Item	HK$ Million	Per Cent
Agriculture, Forestry, Fishing	115	3.7
Mining	6	0.2
Manufacturing	**1,000**	**33.3**
Construction	**125**	**4.2**
Transportation, Communication, Utilities	290	9.7
Wholesale & Retail **(Entrepot Trade)**	**400**	**13.3**
Ownership of Dwellings	257	8.6
Public Administration and Defence	300	10.0
Other Services	510	17.0
Total	3,003	100.0

From the above figures it is evident that with the decline of entrepot trade, an increasing percentage of local earning will depend upon the output of the industries. The building boom, which is so obvious to local residents and visitors, represents only 4.2% of the total earning while the net income from export of local products amounts to 33.3% leading all other earnings; the entrepot trade contributes only 13.3%. With a growing population, HK must now increase the export of local labour embodied in fabricated goods in exchange for raw materials and foodstuffs.

Obstacles in Overseas Markets

The development of local industries during the past years has been very successful. Exports of HK products increased from $196.6 million in 1950 to $311.7 m in 1951, $486.2 m in 1952, $635.3 m in 1953, $681.9 m in 1954 and $730.3 m in 1955. But recently, exports of HK manufactures to SE Asia and nearby countries are declining on account of (1) China's increasing volume of political trade

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carried on and improved their method. Later on Nishikawa married Mikimoto's eldest daughter, and Masayo Fujita became chief technician at Mikimoto's pearl farm. Both of these men contributed greatly in laying the foundation of the great Mikimoto Pearl industry.

Dr. Alvin R. Cahn, resource investigator attached to General Headquarters of the Allied Powers during the occupation, writes in one of his reports that "people of many nations, since ancient times, have contributed to the development of the theory of pearl formation. However, the Japanese scientists, primarily Shimpei Mise and Tohkichi Nishikawa, were the only ones in the world who actually succeeded in establishing the theory of producing spherical cultured pearls of commercial value."

Fifty years ago the Japanese cultured pearl was very small, the biggest being 0.034 inch. In 1922, a young pearl culturer named Hidezo Ino tried to experiment with a large core measuring 0.32 inch in radius, but his elder brother, Iwazo, laughed at the idea. Hidezo nevertheless went ahead and used three large oysters in his first experiment. Four months after he had lowered the oysters into the sea he opened these shells to find that one had died, the second had ejected the core, but the third had begun to turn the core into a large lustrous pearl. Enthused with this success the elder brother took over and planted the big cores in 60 large oysters, placed them in a cage, and lowered them into the sea. Three years later the oysters were brought up and opened. 40 of them were still alive and they found one beautiful 0.37 inch and six 0.28 inch. All of these were ten times as large as the tiny pearls that were being produced at that time. Thus the Ino brothers started out in the concentrated production of large pearls. At the annual tenders held in Kobe at that time for the pearl culturers of Ise, the producers always brought their pearls to market in suitcases. But when Ino came that year, he had no suitcase. Instead, he produced two envelopes from his coat pocket which contained only a few pearls, all ten times as large as the pearls that the other producers were selling. As the result of this tender, Ino received more money for the pearls in his small envelopes than the suitcaseful of goods of his competitors.

Before long the culturing of larger pearls was taken up by all other pearl farms.

Today, 97% of the annual pearl production is exported. Moreover, the greater part of the remaining 3%, which is consumed domestically, is used for presents and gifts to foreigners.

The Japanese government is beginning to lend strong support to the industry. Before long the producers of pearls will be in a stronger position, and will not have to subject themselves anymore to the present harsh price-cutting forced upon them by the traders.

with Thailand, Burma, Ceylon, Indonesia and Singapore; (2) Japan's promotion of exports to Singapore, Thailand, Philippines and Burma through reparation agreements and cooperative economic development projects; (3) the import restrictions imposed by Philippines, Indonesia, Burma, Thailand, Pakistan, India and Ceylon to protect their domestic industries and (4) the fact that countries like Laos, Cambodia, South Vietnam, South Korea are buying more from Japan and US with US Aid Funds than from HK. Furthermore, Singapore, UK, Canada, S. Africa etc. have been complaining about the "dumping" of cheap HK goods in their markets and some manufacturers in these countries are urging their governments to restrict imports from here.

The sales prospect is on the whole not unfavourable but if nothing is done soon to improve the situation, exports of HK products will gradually decline. The following study of different markets will show major obstacles as well as development possibilities.

EXPORT OF HK PRODUCTS

	January-October 1956	1955
	(in HK$ million)	
Total Export of HK Products	**647.97**	**598.53**
Principal Buyers:		
United Kingdom	133.10	133.28
Indonesia	115.24	67.72
Africa	69.29	85.17
Malaya	73.02	87.73
Thailand	39.33	52.41
Cambodia, Laos & Vietnam	20.99	19.59
Philippines	19.59	16.31
Australia	15.92	14.81
U.S.A.	15.84	12.28
North Borneo	10.34	7.63
Middle & Near East	9.96	8.15
Central America	9.76	8.39
South America	9.43	9.14
British Commonwealth, Other	9.15	10.26
British West Indies	7.23	8.23
Canada	5.82	8.36
India	5.08	6.46
New Zealand	4.78	5.89
South Korea	4.44	10.48
Macau	3.88	5.21
Ceylon	3.48	4.40
Netherlands	2.79	1.47
West Germany	1.91	1.24
Burma	1.87	11.77
Pakistan	1.46	2.04
Belgium	1.44	1.25
Sweden	1.24	1.53
Denmark	1.24	1.12

The United Kingdom: UK remained the No. 1 buyer for Hongkong products during the first ten months this year. There was a very slight drop (0.15%) during the period when compared with same period last year but this does not indicate a decline in demand for HK products from UK. During the past two months (November and December), a large number of orders for cotton piece goods, yarn, footwear, shirts, torch, towels, and gloves reached here from UK; exports for the whole of 1956 should exceed those for 1955. HK's total imports from UK during the first 10 months this year improved to $422.28 million from $362.31 m for the same period last year and in spite of the Suez blockade and the increased indent costs, imports of base metal and other raw materials from UK remained very heavy. The impressive increase in imports from UK can be accounted for by the fact that in order to enjoy the benefit of Imperial Preference in exports to UK and other Commonwealth countries which grant preferential tariffs to HK products, factories here must use 25% to 75% of raw materials from UK and other 'Empire' sources. UK Government has assured HK that colonial imports would continue to be admitted duty free and that there would be no change in the present policy regarding imports of HK goods into UK. It is therefore up to local manufacturers to attract more orders from UK for various HK products. Efforts should not be limited to items such as gloves, cloth and footwear; exports of plastic products, toys and other articles should be promoted. The important step is to improve the quality of the established items as well as new products because UK is a quality market. Industrialists here should also establish better contacts with UK consumers and study their requirements. The maintenance and development of this market at the present is vital to the survival of HK industries. The fundamental point is that as long as UK consumers are satisfied with HK products in price as well as in quality, UK importers will not stop buying gloves, rubber footwear and other articles from HK.

Indonesia: In 1955, the import restriction imposed by Djakarta to protect Indonesian industries and the shortage of foreign exchange there resulted in the decline of exports of HK products to Indonesia. During the first ten months this year, the shortage of commodities in Indonesia and the improved financial situation in Djakarta encouraged importers there to buy more light industrial products from HK. Competition from Chinese and Japanese goods in Indonesian markets has not yet caused any serious effect upon the sales of HK products there because China cannot yet supply all the needs of Indonesia while Japan regulates exports according to her purchases from Indonesia. However, the threat from these two sources has not been removed and sooner or later it will affect HK exports to Indonesia. Furthermore, Indonesia's domestic industries are catching up in the production of articles such as lower quality singlets and enamelware; further restriction on imports is inevitable. Weaving and spinning mills here should therefore start to send more coloured cloth and fine yarn; knitting factories should ship more higher quality knitwear; and metal works should offer better quality enamelware, aluminumware etc. to Indonesia if they wish to retain and expand exports to that market. If HK manufacturers can supply Indonesia with better quality goods, competition from Chinese products could be eliminated and if HK products are kept reasonably low in prices, competition from Japanese goods would not be too serious.

African Markets: Enamelware, cotton cloth, shirts and torch are principal exports to African markets particularly to British territories in Africa. Purchasing power of these markets is limited and with the exception of East Africa (British) which sends here more than purchases from HK, other territories are already buying more from than selling to HK. At the present, only a limited number of exporters here are handling shipments to Africa and many consignments have to be transhipped via Europe and UK due to the lack of direct shipping facilities to many African ports from HK. The African markets are not yet fully developed and only a small number of HK products are established there. Prospects for expansion are good because HK is now buying more canned beef, fruits, jam, groundnut oil and other staples from Africa.

Malaya & Singapore: There is a fundamental difference between these two markets: Malaya grants preferential tariff to HK products while Singapore is a free port and collects duties only on a small range of commodities such as wine, spirits, tobacco etc. Furthermore, Singapore competes with HK in many lines in Malayan markets. Trade figures for Malaya include exports to Singapore. The decline in exports to Singapore and Malaya during the first 10 months this year from that for the same period last year was chiefly due to the fact that HK products became more expensive in Malayan markets as a result of the increases in exchange rates for HK dollars there stimulated by the flight of capital to HK. This trend however has been checked and large

quantities of cotton singlets, cloth, rubber footwear, leather shoes, enamelware and other metalware, shirts, torch, foodstuffs, lacquers, varnishes and paints, cement and sugar continued to be shipped from here to Singapore and Malaya. Competition from China is more keen in the re-exports of Chinese goods and foodstuffs from here to Malayan ports. Exports of HK products, particularly knitwear, cloth and cement, to Singapore will be affected by Japan's increasing trade promotion with Singapore but shipments to Malaya still enjoy the protection of preferential tariff. The real threat is coming from Japan's cooperation with Singapore in developing industries there. Manufacturers here will face increasing competition in Malayan markets from Singapore industries in the near future. However, if HK factories can offer better quality goods at reasonable prices, demand for HK products from Malaya will remain strong. There are also prospects for introducing more items of HK goods to Malaya because the potential demand from this market for light industrial products has not yet been fully exploited.

Thailand and Burma: Sharp drops in exports of HK products to Burma (by about $10 m) and to Thailand (by about $13 m) were the results of the increased volume of purchases by these two countries of Chinese and Japanese goods direct from Peking and Tokyo as well as from Hongkong. China and Japan were helping Burma to develop her light industries and in return, Burma bought more foodstuff from China and textiles, felt hats, plastic products from Japan. However, during the past three months, Rangoon returned to HK for the supply of rubber shoes, plastic products, wheat flour, textiles and metalware. It was reported that Burma's trade with Communist countries had not been too profitable. There is still chance for HK factories to get more orders from Rangoon because trade figures show that during the first 10 months this year, HK bought more from than exported to Burma. HK factories should therefore offer goods of better quality than Chinese products. A thorough study of the market, finding out what items are not produced by Burmese industries as well as the market reaction to various Chinese and Japanese products will be very helpful in the development of demand for HK products in Burmese markets. Shipments of HK products to Thailand were also handicapped by Bangkok's restriction on imports which will grow with the gradual development of Thai industries. Nevertheless, if HK can supply Thailand with items which Thai factories are not yet producing, there is no reason why Bangkok would not buy more from HK. As a matter of fact, HK's total export to Thailand has risen from $141.4 m for Jan.-Oct. in 1955 to $271.3 m during the same period this year but the improvement was chiefly in the shipments of Chinese and Japanese products from here to Bangkok indicating that consumers there are now using less HK products. Local industrialists are aware of this situation and many participated in last month's (December 1956) Exhibition at Bangkok. Efforts however should not be limited to the exhibiting of HK products to prospective buyers; manufacturers must also find out what other products HK might make to meet the demand there and how could different products be improved to suit the taste and habits of Thai consumers.

South Korea: Another sharp drop occurred in exports to Korea (from $10.48 m to $4.44 m) mainly due to the decline of cotton yarn exports. The trouble with exports to Korea lies not in the lack of foreign exchange in Seoul to buy HK products but chiefly due to the low buying offers and the wide fluctuation of commodity prices in Korean markets. Importers there often refused to take delivery of goods after arrival because prices there had dropped. The best way for a local firm to get the business is to quote to its representative or branch office there the cif Pusan price very low, even at a loss, in order to get the necessary import licence in Seoul and earn the profit from marketing the consignment when the market is firm; the profit is then sent back to HK through black market exchange operators. The scope for improvement is not very big but there are possibilities. For instance, export of cement has improved this year. The basic requirement is that local firms must have branches in Seoul to handle their interests and to keep HK informed of the market situation and import restrictions there.

Cambodia, Laos and Vietnam: Exports to Cambodia, Laos and Vietnam improved because these states are buying more HK manufactured textiles, knitwear, metalware and other articles with US aid funds and with exchange earned from the increased exports of staples to the local market. Further improvement depends upon the amount of US aid funds allocated for articles which HK industries can supply and the ability of local factories to beat Japanese competition in quality and in price. Here again, the development depends upon local manufacturers' knowledge of market requirements. Possibilities are big because these markets were formerly dominated by French products and consumers there do not yet have any preference in their choice.

The Philippines: Manila prohibits imports of Chinese products from HK. Trade figures show that HK total exports to Philippines declined from $46.6 million in Jan.-Oct. 1955 to $38.2 m for the same period this year. However, exports of HK products, included in these figures, improved this year to $19.6 m from $16.3 m for Jan.-Oct. 1955. This indicates the growing percentage of HK products in total exports to the Philippines. Manila restricts imports of those HK articles which her domestic industries are manufacturing; demand from Manila for HK yarn, cloth, knitwear and metals remained steady. Further development of this market, again, depends upon HK factories' ability to offer right products at competitive prices.

Australia and North Borneo: More manufacturers are now sending goods to North Borneo which grants preferential tariff to HK products. Prospects are good because HK is also buying more timber and other staples from that source. Australia does not grant preferential tariff to HK goods but imposes only "most favoured nation" tariff on HK products. With imports from Australia still higher than exports to that country, HK should be able to market more gloves, cloth, wearing apparel, rubber footwear, shirts, torch and vacuum flasks in Australian markets. Promotion of sales in these two countries is still far from satisfactory; local manufacturers must make their products better known to buyers in these markets.

United States of America: More items are being added onto the list of goods which can be shipped to the US under comprehensive certificates of origin and with the exhibition of HK products in Seattle, the popularity of a number of HK products (rattan furniture, wearing apparel, torch, carved furniture and chests, embroidered slippers and other handicrafts) is growing in the US. The potentiality of that market can be appreciated from the fact that in addition to American investments in local garment and torch industries, more American interests are investing money in other local industries. Even tailor shops here are making handsome profits on mail orders from the US. A carpet factory has been set up here recently to produce Chinese carpets to meet the demand from the US. This factory is employing 70 workers producing 300,000 square feet of carpets every month selling at about US$1 per square foot; next year the output will be doubled. There is ample room for further expansion of exports of silk piecegoods, drawn lace work, rattan furniture, carved chests and furniture and many other products to the US. A thorough market research will give

all the answers. To those who have imagination and ingenuity, possibilities are unlimited.

Canada, New Zealand, British West Indies and other Commonwealth countries which do not grant preferential tariff to HK products: The slight decline in exports of HK products to these markets does not mean that demand from these sources for HK products is ebbing. Only a small number of local firms and manufacturers are trying to develop these markets which do not grant preferential tariff to HK products. In Canada, HK products, with the exceptions of gloves and footwear, are not yet popular. New Zealand and other markets know still less about HK products. The keen interest in HK products shown by visitors to the recent exhibition of HK products in Toronto Trade Fair proves that there is a good demand in these markets for HK products if right commodities are offered at competitive prices.

India, Pakistan and Ceylon: In spite of the fact that Ceylon grants preferential tariff to HK products, exports during the first 10 months this year were lower than that for the same period last year. Exports to India and Pakistan which do not grant preferential tariff to HK goods also depressed. The chief cause of this adverse situation was the increasing output of India's and Pakistan's domestic industries and Ceylon's barter trade with China. To regain these two markets, HK factories must produce better-quality products which factories in India and Pakistan are not manufacturing. In developing exports to Ceylon, more market research must be done. So little has been reported in the local press about Ceylon that very little is known about this market. There were reports that port facilities in Colombo are poor and that steamers passing HK for Colombo only accept small consignments for Ceylon. The fact is that many ships passing here are already heavily loaded with cargoes from Japan and China for Colombo that there is little room for HK consignments. Most industrialists and exporters agree that improvement of exports to these markets will be difficult but no one considers it impossible.

Central and South America and the Middle East: In spite of insufficient promotion work in the export of HK products to these markets, the trade is already improving. The potential demand for HK products from these markets, particularly from Latin America, is big and the sooner these markets are developed, the earlier will local factories enjoy prosperous business with these areas. Purchasing power of these countries, which are endowed with oil and other rich resources, is very strong and it is up to manufacturers here to find out what HK articles do these people want!

Netherlands, Germany, Belgium, Sweden, Denmark are showing more interest in HK products particularly after the recent exhibition of HK goods in Frankfurt Fair. France, Italy, Norway and other European countries are still buying very little HK products (figures are included in the total value of HK products exported during the Jan.-Oct. periods of 1955 and 1956). Competition in these markets however is very keen and only if HK manufacturers are able to produce high-quality goods at attractive prices will buyers in these markets favour HK articles as in the case of gloves. There are also prospects in developing exports of straw hats, embroideries and other handicrafts which use raw materials which are abundant in the Far East and utilize the cheap local labour which is good in handicraft work.

Hongkong and Macau: A very important market which most HK industrialists seem to have ignored is the local market, with its population of 2½ million, and Macau. Professor E. S. Kirby of the HK University recently pointed out that "as a matter of historical fact, normally no nation has even emerged as a major international exporter except on the basis of and in close association with a healthy home market." (Far Eastern Economic Review, November 15, 1956, page 614, 'Higher Commercial Education in Hongkong'). One handicap in the marketing of HK products locally is that many items are too expensive for the lower income groups while at the same time not good enough in quality for those buyers who can afford the price. The local market is a very competitive one because HK is a free port and has no tariff. Five groups of commodities (including wine and tobacco) are subject to duty for revenue purposes only. In almost every local store and emporium there are many imported goods. Simple and cheap items such as a cake of soap is imported from US and UK. Hongkong has many nylon hosieries but US nylon socks and stockings dominate the local market. HK shirts are exported as far as North Europe but million dollars worth of shirts are imported from US for local consumption. HK has factories producing cosmetics but even a small bottle of nail-polish remover has to be imported. HK has many good shoemakers but imports of shoes remain heavy every year. In short, local industries have failed to exploit the local purchasing power. This phenomenon may be accounted for by the pro-Western attitude of the local population but it is a fact that most consumer items made in HK are much inferior to those imported. Marketing of HK manufactures in Macau is insignificant. On the other hand, a few far-sighted manufacturers are now making gramophone records, building blocks from wood wool, steel window frames, refrigerators, safes, foam rubber, etc. chiefly for local consumers and buyers in Macau. It is time now for other industrialists to sell more articles to the local population and to Macau consumers.

What could be Done

There are many opportunities for increasing the export of HK products to almost all markets. The progress into these markets depends on HK's ability to conduct market research; to improve the quality of manufactures; to maintain production cost at low level; and to channel new capital into industries for further development.

Market Research: It is foolish to offer cameras to Japan and Germany or to market watch movements in Switzerland. It will be equally unsuccessful to send cheap articles of poor quality to US and other quality markets. It is also impractical to market woollen gloves in tropical countries. On the other hand if Thailand restricts imports of cotton yarn below 20 counts, mills here should produce more yarn of 32's and up. If Indonesia prefers to manufacture her own lower quality enamelware, factories here could ship better-quality goods to Djakarta. If Europeans like to have buttons on their pyjama pants, do not ship them those with strings for fastening. If Pakistan, Philippines and other SE Asian countries choose to weave their own grey cloth, offer them coloured drills and shirtings. The two most important facts to find out about overseas markets are (1) what HK products are marketable in different markets and (2) what articles HK is not yet producing are in good demand in different markets. The proper approach in the promotion of sales is also very important. In short, HK industrialists must find out what to manufacture, where to sell and how to market their products.

Quality Improvement: Developments in above markets indicate that HK must produce better-quality goods in order to retain the demand from overseas. This necessitates the modernization of equipment as well as the training of technicians to handle the machinery. Management has to be streamlined in many factories which are still run under incompetent executives. The Governor of HK in his speech at the opening of the 14th HK Products Exhibition men-

tioned that "our great asset is the skill of our labour and we should strive to manufacture technically more advanced products" which is only possible when the management of a factory know how to make the best use of the labour force with the help of modern machinery.

Production Cost: A very important point which is often overlooked by local manufacturers in considering production cost is that the labour cost of any article produced by a high-wage worker is not necessarily higher than the same product put out by an under-paid worker. It is the efficiency of the worker and the quality of the article he produces which must be emphasised. There are many ways and means to improve labour productivity which depends upon the physical condition of the worker, the lightening and other working conditions and the method of production. In no way however can the keen competition in local or overseas markets be won by recklessly underquoting other suppliers and then delivering goods of inferior quality.

Investment: These developments require financial backing. Fortunately, Hongkong is bursting with cash because overseas Chinese have been sending their savings and capital to HK for safekeeping and investment. Many investors and bankers do not know how to make use of the large amounts of cash at their disposal. This money should be channelled into industrial development.

All these suggestions are very theoretical. Who is going to do the market research? How is a factory to improve its products? How to attract idle funds into industrial development?

During the past year, Government and private parties have already done a lot in overseas promotion work. A division of the Commerce and Industry Department devotes itself to the co-ordination of all efforts in this sphere. It maintains liaison with our Government offices in Tokyo and London and assists in the participation of fairs and exhibitions overseas. In 1955 and 1956, HK was present at the Canadian International Trade Fair in Toronto, the British Industrial Fair in London, the Washington State International Trade Fair in Seattle and the International Fair at Frankfurt. Plans to participate in selected trade fairs in 1957 are under consideration. HK products are being displayed in cabinets on vessels of the Royal Inter-ocean Line travelling between South America and HK. Local manufacturers are now organizing trade missions to Asian markets and leading banks are more liberal in granting loans to well established factories. The Hongkong Exporters' Association organized by HK leading exporters and factories is also doing very useful work in promoting HK products overseas.

But these efforts are not enough because obstacles in different markets can no longer be effectively overcome by individual action. HK industries can no longer survive on cheap labour alone or depend on luck for the development of new markets. What HK needs is more group organisation and HK should pool the efforts of industrialists, exporters, financiers, bankers, and government officials in establishing an Industrial Bank.

A Hongkong Industrial Bank could float shares to absorb idle capital and could have following principal departments: (1) Market Research Department which with the help of government may undertake the study of various markets and supply information to local industries particularly to small factories which could not finance research. (2) An Industrial Consultation Department which may be set up in cooperation with Hongkong University and the Technical College, to advise local industrialists on ways and means to improve labour productivity, quality and packing of products and help them to solve management problems. (3) A Loan and Investment Department to investigate and finance the needs of various industries and invest in new projects recommended by the Bank's board.

FINANCE & COMMERCE

HONGKONG EXCHANGE MARKETS

December 24—29, 1956

U.S.$

Dec.	T.T. High	T.T. Low	Notes High	Notes Low
24	$619	617	616¾	614⅛
25		HOLIDAY		
26		HOLIDAY		
27	618	617	615⅞	614⅛
28	615¾	615	612⅞	611¾
29	616	614½	613⅜	611

D.D. rates: High 616¾ Low 612½.

Trading totals: T.T. US$2,220,000; Notes cash US$540,000, forward US $2,400,000; D.D. US$530,000. The market was easy and rates charted a steady decline. In the T.T. sector, offers from Japan, Korea and Philippines were absorbed by gold and general importers but in the Notes market, speculators liquidated their holdings. Interest for change-over favoured sellers and aggregated HK$6.10 per US $1,000. Positions taken by speculators averaged US$3 million per day. In the D.D. sector, overseas Chinese remittances were on the increase.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK$: Philippines 1.745—1.74, Japan 0.015075—0.015, Malaya 1.879—1.875, Vietnam 0.06, Thailand 0.284. Sales: Pesos 260,000, Yen 125 million, Malayan $220,000, Piastre 11 million, and Baht 2½ million.

Agreed Merchant T.T. rates: Selling and buying per foreign currency unit in HK$: England 16.202—15.867, Australia 13.016—12.757, New Zealand 16.202—16.10, United States 5.839—5.755, Canada 6.0836—5.9925, India 1.216—1.205, Pakistan 1.218—1.204, Ceylon 1.219—1.207, Burma 1.216—1.205, Malaya 1.898—1.88. Selling per foreign currency unit in HK$: South Africa 16.236, Switzerland 1.3289, Belgium 0.11655, West Germany 1.3889.

Chinese Exchange: People's Yuan notes quoted HK$1.50—1.45 per Yuan. Taiwan Dollar notes quoted HK$163.50—162.50 per thousand, and remittances 155—153.

Bank Notes: Highest and lowest rates per foreign currency unit in HK$: England 16.06—16.01, Australia 12.70, New Zealand 14.65—14.63, East Africa 15.20, South Africa 16.10—16.00, India 1.1825—1.1775, Pakistan 0.88, Ceylon 0.98, Burma 0.49, Malaya 1.846—1.842, Canada 6.365—6.335, Cuba 5.20, Philippines 1.825—1.82, Switzerland 1.41, West Germany 1.41, Italy 0.00925, France 0.0152—0.015, Vietnam 0.0615—0.0605, Laos 0.06—0.059, Cambodia 0.081—0.08, North Borneo 1.60, Indonesia 0.183—0.18, Thailand 0.277—0.274, Macau 0.995, Japan 0.015175—0.015.

GOLD MARKET

Dec.	High .945	Low .945	Macau .99
24	$266⅞	266	
25		HOLIDAY	
26		HOLIDAY	
27	267¼	266⅛	High 276½
28	265⅝	265¾	275½ Low
29	266½	265	

The opening and closing prices were 266¾ and 266½, and the highest and lowest 267¼ and 265. The market was quiet with prices moving in line with US$ exchange rates. Interest for change-over favoured sellers and aggregated HK$4.00 per 10 taels of .945. Tradings averaged 8,800 taels per day and totalled 35,200 taels for the week, of which 19,010 taels were cash dealings (3,510 taels listed and 15,500 taels arranged). Imports came from Macau and amounted to 10,500 taels. 38,400 fine ounces reached Macau during the week. Exports totalled 9,500 taels (4,500 to Singapore, 3,500 to Indonesia, 1,000 to India, and 500 to Korea). Differences paid for local and Macau .99 fine were HK$12.80 and 11.80 respectively per tael of .945 fine. Cross rates were US$37.68—37.70 and indents were booked at 37.70 C.I.F. Macau. US double eagle old and new coins quoted HK$277 and 235 respectively per coin and Mexican gold coins 285 per coin.

Silver Market: 600 taels of Bar silver were traded at HK$5.90—5.85 per tael; 800 dollar coins at HK$3.78—3.76 per coin; and 1,000 twenty-cent coins at HK$2.90—2.85 per five coins.

HONGKONG SHARE MARKET

Trading last week before and after the Christmas Holidays was slow and only a small number of shares were transacted; prices however were firm. HK Banks gained $15, Wheelocks improved by 10c, HK Wharves up by $1.50, Lands were 50c higher, Hotels 10c better, Trams marked-up by 20c and Star Ferries edged from 140 to 141. The undertone at the closing on Friday was very steady.

During the week, the Hongkong and China Gas Company Limited announced that the company will issue 102,374 ordinary shares of £1 each at par; 127,968 ordinary shares of £1 each credited as fully paid by way of Capitalisation of Reserves; and 25,593 ordinary shares of £1 each to be allotted for cash at par under an obligation.

The Secretaries for Yangtsze Finance announced that on December 27, the shares had a statistical value of $7.75.

Monday: With the approach of the holidays, business slowed down. Prices were virtually unchanged and the turnover amounted to $290,000. **Tuesday & Wednesday:** Holidays. **Thursday:** The market opened quietly and although trading was on a light scale, the undertone appeared steady and prices edged fractionally higher. The turnover amounted to $362,000. **Friday:** Signs of better demand led to a slight improvement in the volume of business transacted; the turnover amounted to $620,000.

CLOSING RATES ON DECEMBER 28, 1956

H.K. Govt. Loans

3½% Loan (1934 & 1940), 89 b.
3½% Loan (1948), 89 b.

Banks

H.K. & S. Bank, 1600 b; 1605 sa.
H.K. & S. Bank (Lon. Reg.), £94½ nom.
Bank of East Asia, 244 b.

Insurances

Union Ins., 960 s.
Lombard Ins., 41 s.
China Underwriters, 8.80 nom.

Investment Companies

Allied Investors, 4.90 s.
Yangtsze Finance, 5.95 b.
H.K. & F.E. Invest., 9.40 b.

Shipping

Douglases, 592½ nom.
Indo Chinas (Pref.), 14 nom.
Indo Chinas (Def.), 42 nom.
U. Waterboats (O), 23.20 s.
U. Waterboats (N), 22.80 nom.
Asia Nav., 1.20 sa.
Wheelocks (Old), 7.15 b; 7¼ s; 7.20 sa.
Wheelocks (New), 6.70 b; 6.85 s.

Docks, Wharves & Godowns

H.K. & K. Wharves, 92 b.
Sh. Hongkew Wharves, 1 b.
H.K. Docks, 47¾ b; 48 s; 48 sa.
China Providents, 13½ b; 13.80 s.
S'hai Dockyards, 1¼ b.

Mining

Raub Mines, 3½ nom.
H.K. Mines, 4½c nom.

Lands, Hotels & Bldgs.

H. & S. Hotels, 14.90 b; 15.10 s; 15 sa.
H.K. Lands, 61 b; 62 s; 61½ sa.
S'hai Lands, 1.10 s.
Humphreys, 18.80 nom.
H.K. Realties, 1.375 nom.
Chinese Estates, 400 nom.

Public Utilities

H.K. Tramways, 23.10 b; 23.30 sa.
Peak Trams (F. Paid), 77 nom.
Peak Trams (P. Paid), 38½ nom.
Star Ferries, 139 b; 141 s; 141 sa.
Yaumati Ferries, 102 b; 105 s.
China Lights, 23½ b; 23.60 s; 23.40/½/.40/½ sa.
H.K. Electrics, 31½ b; 31¾ s; 31½ sa.
Macao Electrics, 9.35 b.
Sandakan Lights, 8½ nom.
Telephones (Old), 24½ b; 24.70 s; 24.60 sa.
Telephones (New), 23.70 b; 23.90 s; 23.70 sa.
Shanghai Gas, 1 b.

Industrials

Cements, 38¼ b; 38½ s.
H.K. Ropes, 12.90 b; 13.20 s.
Metal Industries, 1.725 nom.

Stores

Dairy Farms, 15.20 b; 15.40 s; 15.20/.30 sa.
Watsons, 13.20 b.
L. Crawfords, 29.40 nom.
Cald. Macg. (Ord.), 28.70 b.
Sinceres, 1.80 b.
China Emporium, 8.90 nom.
Sun Co., Ltd., 85c s.
Kwong Sang Hong, 190 nom.
Wing On (HK), 62 b.

Miscellaneous

China Entertainments, 17½ nom.
International Films, 20c b.
H.K. Constructions, 5½ nom.
Vibro Pilings, 18¼ nom.
Marsman Investments, 6/- nom.
Marsman (HK), 65c nom.

Cottons

Ewos, 85c nom.
Textile Corp., 4.40 nom.
Nanyang Mill, Ex. Div., 7.20 s.

Rubber Companies

Amal Rubber, 1½ b; 1.55 s; 1.525 sa.
Ayer Tawah, 1.35 b; 1⅓ s.
Java-Consolidated Estates, 50c nom.
Langkat, 1¼ b.
Rubber Trust, 1.85 s.
Shanghai Kelantan, 98c b.
Shanghai Sumatra, 2.80 nom.
Sungala, 94c b.

DIVIDEND

Wheelock Marden & Co., Ltd. declared an interim dividend of 37½ cents a share in respect of the year ending March 31, 1957, based on the profits for the period ended September 30, 1956, payable on the 4,000,000 "Old" shares. The dividend will be paid to the persons registered on January 22, 1957, as the holders of the said shares.

After payment of the foregoing dividend the whole of the issued capital ("Old", "Bonus" and "New" shares) will rank pari passu in all respects.

SINGAPORE SHARE MARKET

December 15—20, 1956

Despite the onset of Christmas, the volume of business remained at a high level. Industrials generally were steady whilst Tins and Rubbers were irregular.

In the industrial section, Fraser & Neave responded to continuous demand by advancing 7½c. to $2.32½. Straits Traders and Wearnes were firmer at $26.50 and $3.02½ respectively. After some hesitancy Hammers closed at $1.52½ buyers and Malayan Cement at $1.69. The previous week's sharp rise of United Engineers to $10.00 was quickly followed by profit-taking and a fall of 50c. Metal Box remained unchanged at $1.65 after the 5% interim. William Jacks were firm at $3.05 and Straits Times at $3.00. Sime Darby were easier at $2.12 and Gammons uncertain at $2.00.

Sungei Way climbed to $1.47½ and Aokam Tin had a large turnover at around $1.62½. After a very active week, Kuchai fell back to $2.80 on the announcement that there would be no final dividend but the Directors would propose a reconstruction to provide for

DECEMBER TRADE REPORTS

The local retail market during the fortnight before Christmas was active with record sales in wines, chocolates, provisions, perfumes, jewellery, radio and phonograph sets, toys, nylon stockings, ties, sweaters, shirts and other women's and men's wear. Prices registered a general increase of 10% to 15% on account of (1) the higher freight charges, (2) the advanced US$ rates and (3) the marked-up indents for UK, European and Japanese goods. Profiteering was evident because most Xmas goods had reached here before the Suez blockade and American goods on sale during the period had been imported before the recent hike in US$ rates. Furthermore, when US$ dropped to about HK$6 from HK$6.40, retail prices did not come down. Food prices, particularly those of poultry, pork, beef and fish, also went up slightly. It was time for spending. But to many housewives and husbands, Christmas shopping is a task which they would prefer to avoid if there are not so many obligations to fulfil and sentiments, particularly of the loved ones, to cherish.

The local wholesale market registered strong but selective demand from Korea, SE Asia, China, Taiwan, Japan and other countries but transactions were limited in most cases by the short stock here and low buying offers. Booking of new supplies by local dealers was handicapped by increased indents from various suppliers and the remote delivery dates. Commodity prices were firm and in view of the inevitable further increase in freight rates, cost of replenishments especially of imports from Europe, UK, US and Canada will not drop before the Suez Canal is reopened.

Meanwhile, shipping companies operating regular cargo services between Europe and areas east of Suez are expected to announce an increase of between 10% and 15% in their basic freight rates in addition to the recent introduction of a 15% surcharge. This new increase will be based upon the general rise in operation costs which has been accelerated due largely to the repercussions of the Suez crisis. Costs all round have been rising steadily, including crews' wages, stevedoring charges, costs of turn-round and of oil fuel. Moreover, another very large increase in marine bunker oil prices will be announced soon and this will further justify higher freight rates. The surcharge will remain until the Suez Canal is re-opened and an increase in the basic rate will raise the cost of the surcharge. The rising operation costs have also been experienced on other shipping routes and increases in freight rates in the near future will not be confined to services between Europe and the Far East. For instance, freight rates for cargoes from US West Coast and Canada to the Far East will be hiked by 15% next February and those for shipments from HK to Panama will be 10% higher. Freight charges for goods from here to India, Pakistan and Persian Gulf ports will also be increased by 10%.

China: Imports from China during the month were very heavy and consisted chiefly of foodstuffs such as vegetables, canned food, preserved duck and sausages; staples including woodoil, dried chilli, beans, rosin, cassia, aniseed star; and light industrial products like paper, cloth, towel, vacuum flask and cement. Consignments of beans, woodoil, paper and cement were limited to small quantities and most quotations registered increases. The improvement in imports from China was mainly due to the stronger demand for Chinese products from SE Asia and Japan in spite of the fact that China exported substantial quantities of produce direct to these destinations. Demand from Singapore, Malaya, Thailand, Burma for Chinese foodstuffs and sundry provisions was very steady on account of the approaching Lunar New Year (January 31, 1957). From the local market, China continued to absorb selective items of metals, pharmaceuticals and industrial chemicals whenever prices were depressed by selling pressure but withdrew the orders as soon as prices firmed. There were indications that Peking might increase her purchases of spot goods from here in view of the remote delivery dates for indents from Europe and Japan. Furthermore, the unrest in East Europe will force China to buy more from West Europe and other non-Communist countries, possibly through HK for part of these procurements. Peking's anxiety in developing trade with non-Communist countries is also reflected in her efforts to complete the Tsam Kong Harbour, about 250 miles west of HK. The port of Shanghai which once loaded 30 ships a day is now handling only about 50 ships a month. Restrictive action by Taiwan's Navy has strangled Shanghai's waterfront. German, Scandinavian, Dutch, British and Japanese ships still call at Shanghai but none carry full cargo. The trip is a dangerous one. Peking therefore developed Tientsin and other northern ports to take ships carrying cargoes for North China and opened Tsam Kong to handle cargoes for South and East China. In a way, the closing of the Suez Canal affected China's purchases from UK because UK goods are now much more expensive than before on account of the freight hike and the inevitable increase in production cost. Furthermore, delivery dates are now very remote. China is holding sterling reserves which were recently estimated at more than £100 million. UK was hoping to get back a good part of these reserves through an increase in her exports to China but Peking is now using up these reserves by financing imports from the transferable sterling account area, especially from Japan. Meanwhile, China bought 20 Simca "Regence" cars, 100 Simca "Versailes" automobiles and 11 towing vehicles with trailers from France; ordered £1 million worth of heavy industrial machinery from Austria; offered to supply India with £100,000 worth of chemical and steel products; and placed a credit of 20 million Swiss francs at the disposal of Egypt in Switzerland. But in China, there is a general shortage of not only foodstuffs but also other commodities in spite of the repeated claims that agricultural and industrial output has overfulfilled the first 5-year programme targets. Unconfirmed reports said that in view of the unrest in Europe, Peking might lower the targets of the next 5-year plan beginning 1957 and try to raise China's very low standards of living by making more consumer goods instead of pressing ahead for industrialization at all costs.

Japan: Over 25 ships brought here more than 12,000 tons of imports from Japan. In return, HK sent 20,000 tons of China produce, iron ore and scrap, bars and plates to Japan. In spite of the advanced indents, dealers here booked more woollen, rayon and cotton textiles, staple fibre, galvanized iron sheet, chinaware, sundries, sea food, toys and blankets from Japan to meet the strong demand from SE Asia and local consumers. In the local commodity market, Japan provided steady demand for beans, oilseeds, scrap iron, cow hide, woodoil, rosin and other China produce; many transactions were restricted by short stock here. Japan's exports to China in 1956 amounted to about US$65 million as compared with $29 m for 1955. The improvement resulted mainly from China's increased purchases in textiles, machinery, chemicals and fertilizers especially during the second half year. In Tokyo, businessmen and many government officials urged authorities there to ease restrictions on trade with China while in Washington, Japanese diplomats reassured the United States that Japan's expansion of China trade would be within the limits of the international control system. In SE Asia, Japan's floating fair of samples ranging from heavy machinery to watches and cameras is now visiting Saigon, Bangkok, Rangoon, Colombo, Bombay, Karachi, Singapore, Djakarta and Manila. The

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a capital return probably of $2.00 per share early in 1957.

In the Rubber section Tapah jumped to $2.80 buyers on the announcement of a 40% final and 10% interim. Jimah continued in demand up to $1.52½ and Kuala Sidim improved to $2.27½.

Ampol Petroleum were taken at A.11/10¼ cum a one for two issue at par to be made next February. Western Titanium improved to A.8/8d.

fair, built aboard the 8,814-ton Nissho Maru, will complete her tour of these ports by March. Meanwhile, Tokyo and Manila negotiated a US$65 million trade agreement. Japan also stepped up her barter trade with North Vietnam covering Japan's imports of aniseed oil, woodoil, coal, teaseed, ginger and dried crab meat in exchange for exports of Japanese machinery, metals and industrial chemicals. According to Tokyo reports, Japan's imports during the second half of fiscal 1956 (October 1956 to March 1957) will amount to US$2,100 million. Regarding the barter trade, Tokyo announced that it will be limited to trade with Near and Middle East, Central and South America, Italy, Spain, China and other Communist countries. In the sterling area, barter trade will be limited to Iraq, Libya and Jordan. Trade talks between Japan and Australia were unsatisfactory because Tokyo found it difficult to take 300,000 tons of Australian wheat every year without reducing projected wheat purchases from the US. With Czechoslovakia, Japan was planning to negotiate a triangular barter deal involving China's soya beans, hogs and scrap iron; Japan's chemical fibres, textiles, dyes and sundries; and Czechoslovakia's industrial products. Czechoslovakia is to take Japan's goods against shipments of industrial products to China and Peking will send staples and scrap iron to Japan to balance the trade.

UK and Europe: Local exporters rushed 28,000 tons of HK products and China produce to UK and Europe during December because freight rates would be further hiked beginning 1957. Principal items were cotton textiles, rubber shoes, plastic products, gloves, torch & torch batteries, enamelware, rosin, bamboo cane, aniseed star, cassia, cotton waste, citronella oil, peppermint oil, carpets and canned food. Meanwhile, UK ordered more woollen gloves, shirts, rubber shoes and cotton cloth; France booked small quantities of plastic products, torch and China produce; West Germany bought rubber footwear, gloves, hats, chinaware, embroideries, feather, egg products, bamboo cane, ginger and cassia. Holland, Sweden, Norway and Belgium also provided steady demand for HK manufactures but quantities involved were small. Imports from Europe and UK totalled 26,000 tons and consisted chiefly of metals, wine and provisions, chemicals, dyestuff, pharmaceuticals, toys and Xmas goods, milk and dairy products, automobiles, machinery, woollen and cotton piece goods. Dealers here booked more metals, industrial chemicals and paper from UK and Europe in spite of the increases in indents and freight charges; however each order was limited to small quantities because there were not enough selling offers from suppliers especially for paper and metals.

U.S.A.: In view of the pending increase in freight charges, dealers here booked more metals, paper and other imports from US in December especially during the second half month when US$ rates in the local exchange market eased from recent sharp rise. About 15 vessels brought here over 10,000 tons of American tobacco, photo supplies, chemicals, pharmaceuticals, woollen and cotton textiles, paper, black plate and other metals, automobiles, electric appliances, machinery, toys, cosmetics, fruits, provisions and Xmas goods. Exports to US totalled only 8,000 tons; however this figure is already much better than that for the previous month. In addition to water chestnuts, mushroom and other foodstuffs, US also increased purchases in HK manufactured light industrial products such as plastic products, metal ware, torch, gloves, rubber shoes, and knitwear. Demand for carved wood furniture and drawn lace work also improved. A trial order for 700,000 yards of grey cloth was received from US during the month. Local firms exporting tailor-made suits continued to enjoy steady demand from US but recently some unscrupulous exports here sent deceptive samples to private individuals there. One fabric called "All Wool—English Cloth" consisted of 50% cotton, 25% nylon and 25% wool while another shown as "English Cashmere" consisted of 100% wool by one analysis and 90% wool and 10% cashmere by a second. "English Angora Cashmere" consisted of 40% wool, 30% cashmere and 30% camel hair with no angora at all. It was also alleged that Japanese cloth was offered as British. The United States Federal Trade Commission warned that if this practice was not stopped, the American Congress would be asked to pass a bill stopping the mail order trade or by action under US postal law, US Post Office would return letters from HK containing these samples to senders.

Canada & South America: Parts of the exports to US were transhipped there to Canada (rubber shoes, knitwear) and South America (enamelware and aluminumware). Imports from Canada totalled a little over 1,000 tons consisting of wheat flour, aluminum ingot, paper, shoe-making machinery, canned food and office appliances.

Indonesia: Cargo movements between Indonesia and HK remained very active throughout the month. HK manufactures and Japanese goods constituted the major portion of exports from here and rattan, rice bran, coffee bean, sea products, rubber and groundnut oil were principal imports from Indonesia. Demand for Japanese products remained strong throughout the month but there were less number of orders from Djakarta for HK manufactures because authorities there had suspended imports of 35 items including torch battery, paint and lacquer, match, striped cloth, slippers and canned meat; and restricted the business activities of alien merchants. Dealers here will have to contact traders there who are Indonesian nationals for all future transactions. Towards month-end, the rebel movement in Sumatra caused much worry to traders in HK but shipments to Djakarta, Surabaja, Semarang and Makassar were unaffected because the disturbances were restricted to North and Central Sumatra.

Thailand: Demand from Bangkok for China produce and HK light industrial products was very strong during the first half month but towards month-end authorities there curtailed purchases from here on account of the accumulation of commodities there as a result of recent heavy imports. Imports of Thai rice, timber, live cattle and other staples remained substantial throughout the month.

South Korea: Exports to South Korea showed slight improvement with the allocation of more US aid funds in Seoul for imports of woollen yarn and textiles, rayon and fibre yarn, paper, pharmaceuticals, chemicals and fertilizer. However many transactions were handicapped by low buying offers and stock shortage here. With the exceptions of paper and fibre yarn, orders from Korea were limited to very small quantities. Imports of staples from Korea improved with better demand for Korean herb medicines, gallnut, cuttlefish, agar agar and sharks' fin especially when supplies from China and Japan were curtailed.

Taiwan: As a result of increased shipments of hogs, feather, sugar, ginger, garlic, camphor products, tea and other staples to HK, Taiwan bought more metals, chemicals, dyestuff, paper, pharmaceuticals, rosin, and provisions from the local market. In order to produce more export goods, Taiwan plans to spend T$20,000 million in the second 4-year economic reconstruction projects beginning 1957. By 1960, Taiwan will be able to export US$185 million worth of goods a year; imports will be about US$220 million. US$1 in Taiwan is now equivalent to T$15.60 according to the official rate but there are four other categories of exchange rates: (1) Importers' exchange rates —T$32.23 to US$1 for ordinary importers and T$24.78 for trade agencies which could obtain exchange certificates from Bank of Taiwan instead of buying them from exporters. Expenses for students going abroad and remittances by Chinese nationals to dependents in HK and Macao are also obtained at T$24.78 to US$1. For government trade agencies such as the Central Trust of China and the Provincial Supply Bureau, the rate is only T$15.65. (2) Exporters' exchange rates—these differ according to the goods exported; exports of coal, coke, tea, pineapples and citronella oil are calculated at T$26.35 while that of bananas is

T$22.30 and sugar and camphor, T$18.55. Exporters surrendering their foreign exchange earnings to the Bank of Taiwan get T$21.65 for every US$1. (3) US servicemen and overseas Chinese enjoy a favourable rate of T$34 to US$1. (4) The barter exchange rate is T$23.165 which is worked out on the average between the official import rate of T$24.78 and the official export rate of T$21.55 to US$1.

Singapore and Malaya: Exports to Singapore and Malayan ports totalled 18,000 tons during the month. Demand was particularly strong for sugar, foodstuffs and sundry provisions on account of the Xmas holidays and the approaching Lunar New Year. However, as a result of Singapore's direct imports of cement from Canton, demand for HK cement declined. Imports of charcoal, firewood, coconut oil, beans, feather, groundnut kernel, rubber, rattan and other staples from Malayan ports were also improved.

The Philippines: There was no improvement in HK-Philippines trade in spite of the recent relaxation of import restrictions there on 31 items including metals, building materials, chemicals and pharmaceuticals. Exports to Manila were limited to small quantities of HK manufactures including cotton textiles, shirt, underwear, tooth brush and plastic products. During the month Manila banned imports of towel and cotton singlets and prohibited exports of scrap iron. Control on export of lumber to HK was relaxed but the ban on export of logs remained. Towards month-end, however, there were more enquiries from Manila for metals, paper, textiles and metalware because authorities there were considering to resume the barter trade with HK. The proposed barter trade between the Philippines and Japan (sugar for Japanese textiles) caused controversial views in the Philippines: big sugar producers and the National Economic Council favour the deal but industrialists and traders oppose it because the barter of 25,872,415 metric tons of sugar for Japanese textiles would result in the dumping of cheap textiles on the Philippine market at the expense of the domestic textile industry.

Cambodia, Laos and Vietnam: On account of recent heavy imports from here and the exhaustion of 1956 US aid funds, Cambodia curtailed booking in the local commodity market. Barter trade, however, was active especially when demand in the local market for staples and scrap iron remained strong. Towards month-end, Phnompenh sent here more enquiries for paper, chemicals, metals, electric appliances, pharmaceuticals, machinery and equipment because US$8.5 million from 1957 US funds had been earmarked for imports. Laos banned imports financed with self-provided foreign exchange. Orders reached here for paper, cotton textiles, chemicals, machinery, metals, printing ink, wheat flour were financed with US aid funds; interest was centred on HK, US and European goods. Trade with South Vietnam was limited to barter dealings covering sea products, ginger, maize, rice and sundry provisions from Saigon against herb medicines, candy and provisions, paper and foodstuffs from here. North Vietnam shipped here rice, ginger, tea, beans, maize, coal and herb medicines in exchange for building materials, torch, rubber shoes, pharmaceuticals, cloth, yarn and chemicals from HK.

India and Pakistan: Shipments of cassia, paper and other Chinese products to Calcutta, Madras and Bombay showed slight improvement and in return, HK bought more tobacco leaf, cotton, straw mats and other staples from India. Shipments to Karachi were limited to small consignments of bristles, torch and batteries, rayon products and radio parts. Imports of Pakistan cotton and yarn remained substantial.

Burma: Rangoon relaxed restrictions on 15 types of imports including toothpaste and paper. Consignments of yarn, wheat flour, paint, metalware, old newspaper, foodstuff, cosmetics and joss sticks from here to Burma were heavy during the month. In return, HK imported substantial quantities of maize, rice and beans from Burma. Towards month-end, however, export shipments slowed down because buying offers remained at low levels while commodity prices here advanced.

Ceylon: In addition to her direct imports of staples from China, Ceylon bought dried chilli, green peas from the local commodity market. Exports to Colombo also included garlic, shirt, knitwear, cloth, toys and raw sugar. Dealers here sent some of the consignments via Cochin in South India because shipping space on vessels from here direct to Colombo was difficult to obtain.

Africa: Exports of HK products to African markets were steady but the amount of each order remained small. Principal exports during the month were shirt, torch, enamelware, hat, vacuum flask, hurricane lantern, rayon and cotton textiles and towel. To protect her domestic industries, the Union of South Africa imposed a special import duty on towels and towelling from HK and Japan. Imports consisted chiefly of cotton and tobacco from East Africa and groundnut oil, cow hide, tanning extract, canned goods and fruit from South Africa.

Okinawa provided steady demand for wheat flour, leather shoes, biscuits and other provisions, cosmetics and sundries.

North Borneo: Imports of timber, rubber, scrap iron, charcoal and firewood totalled 11,000 tons during the month. From here, North Borneo bought woodoil, ginger, vacuum flask, cotton textiles, cement and other building materials.

Australia: With the increase in HK's purchases of wheat flour, wool tops and yarn, frozen meat and dairy products from Australia, exports of HK manufactures to that country also improved. Sydney merchants were offering more foodstuffs and raw materials such as leather, steel and other metals, and fibres to HK manufacturing industry.

Middle East: Several Japanese vessels accepted a total of about 5,000 tons of cargoes from here for Aden and other Middle East ports. Cotton textiles, enamelware, plastic goods, torch, hurricane lanterns constituted the major portion of these consignments.

China Produce: Trading in beans was very active during the month because supplies from China, Cambodia and other SE Asian territories were adequate while demand from Japan remained very strong. Demand from Europe, UK and Canada for other popular items was also strong and prices for most items registered advances. **Cassia** retained steady demand from India, Pakistan and Japan; there were also orders from Canada, South America and Europe. Speculative buying further stimulated prices especially when supply from China curtailed. **Sesame** of Cambodian origin was popular with Japan and local pressing mills. **Groundnut kernel** first firmed on orders from Canada but as supplies from China and Philippines flooded the market, prices dropped sharply. **Woodoil** was favoured by Australia, Europe, Japan, Canada, New Zealand, Malaya, Thailand and Taiwan; dealers here ordered several shipments from Haiphong because supply from China was insufficient. **Rosin** enjoyed steady demand from Thailand, Japan, Indonesia, Europe and local paint manufacturers; supply from China was adequate. **Egg products** attracted enquiries from Europe, particularly from West Germany; most transactions were for direct shipments from China to Europe. **Tea** improved in the local market because India had increased export duty on this item and replenishments from Taiwan and China were marked up and limited in quantities. **Feathers** retained strong demand from Europe and prices firmed on difficult supply position. **Dried chilli** was very firm because demand from India, Singapore, Ceylon remained strong. The market was also stimulated by orders from Japan for **maize, gallnuts, turpentine, silk waste, spun silk yarn, coir fibre** and **bee wax**; from Europe for **hemp seed, aniseed oil, hog casing;** from Burma for **camphor tablets, menthol crystal**; from Australia for **hog bristle;** from UK and Europe for **bamboo cane;** from Cambodia for

talcum; from Thailand and Singapore for **gypsum**; from Pakistan for **alum** and from Africa for **galangal**.

Metals: Imports from Europe and UK remained substantial in spite of the Suez blockade. Demand from China and SE Asia kept prices firm whenever the market was depressed by slight selling pressure resulting from tight money towards year-end. Japan slowed down the purchasing of bars and plates from here but demand for scrap iron remained very strong. Meanwhile indent offers from UK, Europe, Japan and US continued to rise and in some cases spot goods were lower than new indents even after the recent price advances. Booking of new supplies from Europe and US was limited to pipes, bars, plates and waste waste. **Mild steel bars** attracted steady demand from China, Cambodia, Laos, Thailand and local contractors; prices remained firm in spite of small scale liquidation by some speculators and the lack of orders from Japan. Spot goods of **galvanized iron and black pipes** were absorbed by Taiwan, Thailand, China, Korea and local construction companies. Factory items such as **brass sheet, aluminum sheet, zinc sheet** registered steady demand from local industries. **Blackplate, tinplate** and waste waste advanced considerably during the month on steady purchases by China and local factories. **G.I. sheets** were very popular with China, North Borneo, Indonesia, Taiwan, and Thailand. **Mild steel plate** first eased slightly under selling pressure but increased cost and demand from China, Indonesia and Japan kept prices firm towards month-end. Japan first forced down buying offers for **scrap iron** in the local market and approached US, Philippines and other sources for the bulk of her demand. However, towards month-end Japan returned here for more supplies because Australia and Philippines had restricted the export of scrap iron.

Paper: Prices for most items advanced considerably during the month because the arrival of supplies from Europe and UK was delayed, new indents were marked up and dealers here were unable to obtain sufficient replenishments from Japan and China. Demand from Korea was strong but trading was restricted by low buying offers and short stock here particularly in the cases of **newsprint in reels, transparent cellophane** and **aluminum foil** which were also favoured by Laos, Macau and Thailand respectively. **Newsprint in reams** registered steady exports to Thailand, Laos and strong local consumption. **Woodfree printing** was short in stock while demand from Korea, Vietnam, Laos and local printing works was steady. On account of Xmas and the New Year, local demand for **straw board, duplex board, transparent cellophane, m.g. cap** and **packing paper** was particularly strong. Korea also bought **m.g. white sulphite, m.g. ribbed kraft, grease proof, glassine, duplex board**; and Thailand ordered **poster, unglazed kraft, manifold,** grease proof, **flint** and straw board. During the second half month, dealers here booked newsprint in reels, packing paper and cellophane from UK and Europe in spite of the increased indents and remote delivery dates.

Industrial Chemicals: Demand from Korea, Cambodia, China and other sources was selective and trading in most cases was restricted by short stocks and low buying offers. Dealers here did not make heavy booking of new supplies because indents had further advanced. Popular items were **gum arabic** and **damar, petrolatum, sulphur powder, shellac, sodium hydrosulphite, sodium cyanide, caustic soda, chlorate of potash, zinc oxide, sulphuric acid, dinitrochlorbenzene, formalin, borax** and **potassium nitrate.**

Pharmaceuticals: Trading was also restricted by short stock of all popular items. Dealers here therefore booked **vitamin powder, sulphonamides, aspirin, quinine, penicillin preparations, phenacetin** and other fine chemicals and patent medicines from UK, Europe, US and Japan. Other popular items favoured by China, SE Asia, Korea and Taiwan included **isoniazide tablets, dihydrostreptomycin, caffeine alkaloid, saccharine crystal, PAS,** and **extract ergot.**

Cotton Yarn & Piece Goods: HK yarn and cloth registered very small volume of spot transactions because most factories were booked up with orders from Indonesia, Cambodia, Laos, UK, Africa, Burma and Australia. HK white poplin enjoyed very strong demand from local shirt manufacturers but exports to Indonesia were slower because Djakarta turned to China for supplies. Chinese white poplin also enjoyed steady demand from local shirt manufacturers who marketed their shirts at about $4.50 each, wholesale. Chinese drills in the local market gained on steady demand from local garment industry. Japanese grey cloth was firm on short stock while white poplin improved on demand from SE Asia. Pakistan yarn first eased under selling pressure after heavy arrival but later firmed on marked-up indents and steady local demand.

Rice: The market opened weak, as a result of the increased import quota allocated by Government, but later improved with steady local demand. Fluctuations were small because supplies from Thailand, China, Burma, and North Vietnam were adequate while the monthly quota of 24,200 tons prevents merchants from importing too much to depress the market.

Wheat Flour: In spite of the heavy stock in the local market, prices for various brands were firm because replenishment cost of US, Canadian and Australian products advanced on increased indents and freight charges. HK flour also marked up on account of the higher cost of wheat. Local consumption and demand from North Borneo, Okinawa and SE Asia remained steady.

Sugar: Over 2,000 tons of Taiwan granulated arrived during the first half month but the market was kept firm by strong demand from Singapore and marked-up indents. Prices finally eased towards month-end when more supply arrived from Taiwan. Taikoo products were first marked down under keen competition from Taiwan but later pegged up because demand exceeded supply. Philippine raw sugar was absorbed by Ceylon but brown granulated followed the fluctuation of Taiwan sugar. Thai malt sugar was firm on increased cost while Australian brown was favoured by China.

Cement: Trading in the local market slowed down and dealers here booked less supply from Japan and China because indents had advanced. Canton quoted $118 per ton cif HK and Japanese cement climbed to $119 per ton cif HK. Green Island products were quoted $134 per ton fob.

Sundry Provisions: Demand from Thailand, Singapore and Malaya was very strong with the approach of the Lunar New Year. With the exceptions of bean stick, preserved duck and sausage, which declined under heavy supply, other popular items registered gains.

Window Glass: Chinese window glass remained popular with SE Asia while European and Japanese products retained steady local demand. There were indications that SE Asia might turn to China for more direct supplies in the future. Dealers here also found that China's quotations to SE Asia were sometimes lower than those offered to HK.

Gunny Bags: Heavy purchases by China and North Vietnam exhausted all available stock in the local market. Dealers here are now offering forward cargoes.

Hogs: In spite of the increased imports of hogs from Taiwan, China and Cambodia, retail prices for pork remained high in the local market because consumption had risen during second half month on account of the Xmas and New Year holidays.

Hongkong Products: **Shirts** retained strong demand from UK, South America, North Europe, Africa and SE Asia. White poplin shirts were offered by local factories at $4.50 each, wholesale. **Rubber shoe** factories received enough orders from UK, Canada, Europe and other sources to keep them busy till April 1957. Factories mak-

ing gloves were operating at full capacity because most shipment had to be made before year-end. Demand for **knitwear** from Indonesia, Vietnam, Cambodia, Laos, Thailand, Singapore, Ceylon, Norway, Germany and South America remained very strong; principal items were singlets, sweaters, stockings and towel. **Glass marbles** were also in production season with orders from UK, Europe and US. **Enamelware** industry intended to mark up export prices on account of the increased cost for black plate and other raw materials but in view of the keen competition in overseas markets, it was decided to postpone the amendment.

Many local manufacturers were making preparations to participate in the World Trade Fair to be held in New York in April. The Department of Commerce and Industry announced that samples for display at the Fair should be sent to the Trade Development Division on the 4th floor of the Fire Brigade Building. D.C. & I. also announced that beginning January 1957 trade statistics will be compiled separately under 119 instead of 53 countries published in 1956.

COMMODITY PRICES ON DECEMBER 24, 1956

CHINA PRODUCE

Aniseed Star:—Kwangsi, export quality, £115 per ton c & f Europe. Kwangtung, $68 picul. Haiphong, $60 picul. **Rice Bran:**—Cambodia, $25.50 picul. **Wheat Bran:**—HK, white, $25.70 picul. **Camphor Tablets:**—HK, $3.20 to $3.40 per lb. **Cassia:**—Bud, Kwangtung, export quality, $95 picul. Broken, West River, 1st quality, export packing, $80 picul. Lignea, West River, $90 picul. **Coir Fibre:**—Szechwan, £124 per m.t. cif Japan. **Hen Egg Yolk Powder:**—North China, 7s 3½d per lb fob China ports. **Whole Hen Egg Powder:**—North China, 5s 8d per lb fob China. **Frozen Hen Egg Yolk:**—North China, £360 per ton c & f Europe. **Dyed Hen Feather:**—HK, 11½d per lb c & f Europe. **Duck Feather:**—NN, 85%, $550 per picul ex-godown or 5s 8d per lb c & f Europe. **Goose Feather:**—HK, GGS, 90%, 7s 4d per lb c & f Europe. **Garlic** (untoasted):—Shantung, A grade, $100 per quintal. Tientsin, $127 quintal. Shanghai, 2nd quality, $95; 3rd quality, $89 quintal. Taiwan, B, $41 per picul. **Gypsum:**—Hupeh, white, $1,400 per m.t. **Talcum:**—Kwangsi, $160 per m.t. **Talcum Powder:**—Kwangsi, $240 m.t. **Hog Bristle** (c & f Europe per lb):— Tientsin: No. 55 black, 28s 4d; No. 26, 24s 2d. Hankow: No. 17, black, 23s 4d; No. 5, 9s 10d. Chungking, No. 27 black, 18s 10d; No. 4, 11s. Shanghai, No. 17 black, 14s 2d; No. 5, 9s 1d. **Coir Fibre:**—Szechwan, £124 per m.t. cif Japan. **Raw Silk:**—Canton, Steam Filature, Natural, 20/22 denier, $2,640 picul; 50/70 denier, $2,130 picul. **Dried Red Chilli:**—Hunan, $2,550 per m.t. cif Singapore. Kansu, £111/3/0d per m.t. cif Colombo. **Rosin:**—South China, mixed, A grade, Jan forward, $101 per quintal; D grade, old, $93 quintal; AAA grade, £75/10/0d per m.t. c & f Japan. **Seagrass Mat:**—Kwangtung, 108 warps twisted white matting, 5/4 x 40 yds forward, $65 per bag; brown/white, $63 per bag. **Seagrass Cord:**—Twisted, Kwangtung, No. 2A forward, $45 picul. **Hemp Seed:**—Kwangsi, large, $95 picul. **Sesame:**—Thailand, black, $68 picul. South Vietnam, black, $65 picul; brown, $63 picul. Cambodia, black, 1-week forward, $64 picul. **Silk Waste:**—North China tussah silk waste, long, unbleached, A grade, $330 picul. North Vietnam cocoon waste, $440 picul. South Vietnam, silk waste, yellow, $450 picul. **Spun Silk Yarn:**—Shanghai, 210/2, $2,329 per 50-kilo case; 140/2, $2,118. **Aniseed Oil:**—Kwangsi, in drum, $1,310 picul. North Vietnam, in drum, $1,230 picul. **Cassia Oil:**—Kwangtung/Kwangsi, 80/85% in drum $1,150 picul. North Vietnam, in drum, forward, $1,300 picul. **Citronella Oil:**—Taiwan, $8 per pound. **Camphor Oil:**—Taiwan, refined, in drum, $170 picul. Kwangsi, crude, in drum, $150 picul. **Peppermint Oil:**—Shanghai, $25 pound. Taiwan, $16 pound. **Turpentine:**—South China, in drum, 1st grade. £98 per m.t. c & f Japan. **Woodoil:**—China, in bulk $178 per picul for spot goods and $2,900 per long ton for Jan./Feb. forward ex-Kowloon Railway Station or £206 c & f Europe. China in drum, £190 per m.t. c & f Japan. Vietnam in drum, $165 picul. **Alum:**—Chekiang, $300 per m.t. **Bee Wax:**—Kwangsi £455 per m.t. c & f Japan. **Galangal:**—Kwangtung, 3rd grade, $30 picul. **Gallnut:**—Korea, $250 picul. **Dried Ginger:**—Hunan, new, peeled, $240 picul; new stock, not peeled, $175 picul. **Maize:**—S. Vietnam, yellow, $25.20 picul. **Menthol Crystal:**—Taiwan, $35.50 lb. Shanghai, $39 lb. **Groundnut Oil:**—Africa: 1st quality, drum free, $180 picul; 1% FFA, new, $172 picul; 2% FFA, old, $160 picul. China: Tsingtao, drum excluded, $154 picul; Shanghai, drum excluded, $154 picul. Thailand: in drum, old stock, $164 picul; new stock, $178 picul. **Black Bean:**—Shanghai, $90 picul. Tientsin, small, $39.50 picul. **Broad Bean:**—Chekiang, new, $51.50 picul. **Green Pea:**—North Vietnam: $43 picul. China: Hankow, 2nd quality, $42.80; Szechwan, 2nd quality, $48 picul. Cambodia, $45 picul. Burma, black, $82.70 picul. Thailand, large, new, $63 picul. **Long Bean:**—Kwangsi, $31 picul, Burma, $32.50 picul. **Red Bean:**—Tientsin, new, 1-week forward, $92 picul. Kiangsu, new, $93. **Green Bean:**—US, $43.50 picul. Honan, new, $47.50 picul. Shantung, $49 picul. **Yellow Bean:**—US, Jan. shipment, $66 picul. Dairen: 1955 crop, $51.20 picul; 1956 crop, $53.50 picul. Honan, $47 picul. Cambodia, new, $43 picul. **String Bean:**—Thailand, $44.50 picul. **White Pea:**—Shanghai, Jan. forward, $46 picul. **Groundnut Kernel:**—Thailand, brown, mixed, $81 picul. Tsingtao, export packing, 38/40 pcs per oz, Feb. forward, $112 picul. **Groundnut in Shell:**—Thailand, mixed, $80 picul.

METALS

Mild Steel Angle Bars:—Cont: ⅛" x 1¼" x 1¼", $62 picul; ¼" x 2" x 2", $61.50 picul; 5/16" x 2½" x 2½", $62 picul. **M.S. Flat Bars:**—Cont: ⅛" x 1" and ¾", $66 picul; ¼" x 1" to 2", $65 picul. HK: ¼" x ½" to 2", $62 picul. **M.S. Round Bars:**—Cont: (40' length), ⅜" dia, $59 picul; ⅞" dia, $54 picul. HK: (20' to 40'), ¼" to 1" dia, $60 picul. **M.S. Square Bars:**—20' to 22' length, Cont: ½" to ⅞", $66 picul; 1" to 1½", $65 picul. **M.S. Plate:**—Cont: 4' x 8' x 1/16", $71 picul; ⅛", $67.50; ⅜", $70. **Galvanized Steel Sheet:**—UK, 4' x 8', 1/32" and 1/16", 62c per pound. **Stainless Steel Sheet:**—Europe, BWG 18/22, 3' x 7', $4.80 pound. **Steel Wire Rope:**—HK, 24 x 6 720': 1¼", $1.70 per lb; 1½", $1.50 lb; 1¾", $1.40 lb; 2", $1.30 lb; 2¼", $1.25 lb; 2¾", $1.20 lb. UK, 24 x 6 x 7, 2", $1.40 lb; 2½", $1.23 lb. **Tinplate Waste, Waste:**—Coked: US, 18" x 24", $118 per case of 200 lbs; UK, 18" x 24", $113 per case of 200 lbs. Electrolytic: US, 18" x 24", $110 per case of 200 lbs with tin-lining; UK, 1 ton skid, $106 per case of 200 lbs. Misprint: UK, 18" x 24" and larger, $55 per picul. **Blackplate Waste, Waste:**—UK, 18" x 24" and larger, G29/33, $54.50 per picul. **Tinplate:**—UK: 20" x 28", $146 per 200-lb case of 112 shts with tin-lining; 30" x 36", G24, 77c per lb. **G.I. Sheet:**—Jap: 3' x 7', USSG 24, 61c; USSG 26, 64c; USSG 28, 65c; all per lb. **Blackplate:**—Jap, 3' x 6': G22, $68; G24/26, $69; G30/31, $70; G18, $66; all per picul. Corrugated G.I. Sheet:—HK, 3' x 7': BWG 26, 64c lb; BWG 28, 66c lb; BWG 32, $7.40 pc. Jap 3' x 7': BWG 24, 66c lb; BWG 26, 67c lb; BWG 28, 68c lb. **Aluminum Sheet:**—Jap, 4' x 8', 99.5% alloy, G20, $2.20 lb. UK, rolled, 2' width, 99.5% alloy, G30, $2.30 lb. **Brass Sheet:**—UK, rolled, 12" width: 8 oz per sq ft, $330 picul; 9/12 oz, $325 picul. **Steel Wire Rod:**—Cont or Jap: 1st grade, 3/16" to ¼", $57 picul; 2nd grade, 3/16" to ¼" $48 and 5/16" to 3/8", $47 picul. **Black Iron Pipe:**—Cont, 18' to 22' length: 1" dia, 72c per foot; 1¼" dia, $1.25; 1½" dia, $1.35. **G.I. Pipe:**—Cont, 18' to 22' length: ¾" dia, 65c per foot; 1" dia, 96c; 1¼" dia, $1.34; 1½" dia, $1.50; 2" dia, $2; 2½" dia, $2.90; 3" dia, $4; 4" dia, $4.50 per foot. **Wire Nails:**—HK: ¾" x 17 and ½" x 18, $95 picul; 1¼" x 14, $65 picul. **Steel Box Strapping:**—Jap. Blue annealed, ⅝", G27, 66c per lb. Jap. cold rolled, black, ¾", G20, $79 picul. **Brass Scrap:**—Engine parts, large and medium pcs, $296 picul. New brass sheet cuttings, $27- picul. **Iron Scrap:**—Cast iron scrap, $34 picul. Wrought iron scrap, 1st choice, $430 per ton. Iron plate salvaged from ships, ⅜" thick, $43.50 picul.

PAPER

Aluminum Foil:—UK, 4½" x 6¾", thin, $2.30 lb. Germany, 4½" x 6¾", $2.40 lb. Austria, 60 gr, 28-lb ream, 20" x 26", thick, silver, $75 per ream. UK, 60 gr, 22-lb ream, 20" x 26", thick, gold, $92 ream. **Transparent Cellophane:**—30 gr, 36" x 39": UK, $92 ream; Jap, $78; Italy, $90; Sweden, $88; France, $88. 40" x 52": Italy, $123; Jap, $108; Sweden, $123 ream. Coloured, 36" x 39", UK or Jap, $108 ream. **M.G. Cap:**— 22/23 gr, 17½-lb ream, 25" x 44": Jap, $11.50; China, $9.20 ream. 22 gr, Coloured: Cont, $13.50; China, $11; Jap, $9.80 ream. **M.G. Ribbed Pure Red & Green Sulphite:** Sweden, 34 gr, 40-lb ream, 35" x 47", $32.50 ream. **M.G. Ribbed Red & Green Sulphite:**—Jap, 34 gr, 40-lb ream, 35" x 47", $30.50 ream. **M.G. Pure White Sulphite:**—35" x 47", Cont, 34 gr, 40-lb ream, $29.50 ream. Cont, 50/90 gr, 60/100-lb ream, 75c lb. Sweden, 40 gr, 47-lb ream, $34 ream. **M.G. White Sulphite:**—Cont, 40 gr, 47-lb ream, 35" x 47", $31.50 ream. **M.G. Ribbed Pitched Kraft:**—Sweden, 100 gr, 117-lb ream, 35" x 47", $95 ream. Jap, $83. **M.G. Pure Ribbed Kraft:**—Cont, 40 gr, 47-lb ream 35" x 47", $35 ream. Cont, 60/160 gr, 75/160-lb ream, 76c pound. Japan, 38/39 gr, 45/46-lb ream, $30 ream. Jap, 60/100 gr, 58/120-lb ream, 72½c pound. **M.G. Ribbed Imitation Kraft:**—Cont: 40 gr, 47-lb ream, 35" x 47", $31 ream; 60/150 gr, 75/160-lb ream, 72½c lb. **M.G. Ribbed Kraft:**—China, 48-lb ream, 35" x 47", $25.50 ream. **M.G. Pure Kraft:**—US in bundles, 81/140 gr, 95/160-lb ream, 35" x 47", 71½c pound; in bales, 72c lb. **Unglazed Sulphite:**—Cont, 50/120 gr, 70/140-lb ream, 35" x 47", 70c pound. **Unglazed Kraft:**—China, 40/80-lb ream, 35" x 47", 63c pound. **Newsprint:**—In Reels, 31", 50/52 gr: US, 58c; Canada, 57½c; China, 53c; Jap, 52c; Norway, 57c; Austria, 57c; Finland, 57c; Poland, 55c; all per pound. In Reams, 31" x 43": Cont, 50/52 gr, 50-lb ream, $30.50 ream; Jap, 50 gr, 48-lb ream, $25.50 ream; China, 50 gr, 48/50-lb ream, $28.50 ream. **Coloured Flint:**—UK, 60/65 gr, 25-lb ream, 20" x 30", $36.50 ream. China, 26-lb ream, $35.50 ream. **Glassine:**—Colourless, 30 gr, 26-lb ream, 30" x 40", Cont, $35 ream. Coloured, $40 ream. **Woodfree Printing, Glazed:**—31" x 43", Cont, 50 gr and below, 43/48-lb ream, 82½c pound. Jap, 60/100 gr, 57/100-lb ream, 71c lb. China, 60/90-lb ream, 67½c lb. **Woodfree Printing, Unglazed:**—31" x 43", Sweden, 160/200 gr 150/200-lb ream, 88c pound. **Mechanical Printing:**—31" x 43", Cont, 60 gr, 57-lb ream, $34.50 ream. **Manifold:**—White, 22" x 34", 30 gr, 16-lb ream: Cont, $14.50 to $18 ream; China, $12 ream. **Duplex Board:**—One Side Coated, 31" x 43", Cont: 250 gr, 240-lb ream, $156 ream; 230 gr, 220-lb ream, $156 ream; 300/420 gr, 280/380-lb ream, 72c lb. **Jap:** 230 gr, 220-lb ream, $135; 210 gr, 200-lb ream, $117; 190 gr, 180-lb ream, $90 ream. **Strawboard:**—26" x 31": Cont, 20/40-oz, $560; Jap, 8/16-oz, $500; China, 20/32-oz, $463; Taiwan, 8/16-oz, $380 per ton.

INDUSTRIAL CHEMICALS

Acetic Acid (78/80%):—Germany, 66c pound. **Stearic Acid:**—Holland, needle form in 112-lb double bags, $1.20 lb. **Sulphuric Acid:**—HK, in 750-lb drum, 20c lb. **Bicarbonate of Soda:**—China, $20 per bag of 50 kilos. UK, forward, ex-wharf, $45 bag of 100 kilos. **Bronze Powder** (pale):—Germany, 100-lb case packing, $4.70 lb. **Borax Crystal:**—US, $60 per 50-kilo bag. **Calcium Hypochlorite:**—Jap, 60%, 59c lb; 70%, 85c lb. **Caustic Soda:**—China, $115 per 200-kilo drum. UK, $198 per 340-kilo drum. **Chlorate of Potash:**—France, 85c; Switzerland, 88c; UK, 85c per pound. **Dinitrochlorbenzene:**—Holland, 60c pound. **Formalin:**—UK, 47c pound. **Gum Arabic:**—Sudan, $1.13 pound. **Gum Copal:**—Malaya, No. 1, $226 picul. **Gum Damar:**—Malaya, No. 1, $308 picul. **Lithopone, 30%:**—Holland, 38c to 39c pound; Germany, 39c; Italy, 38c pound. **Magnesium Sulphate:**—Germany, $300 per ton. **Petrolatum, Amber:**—Holland, 40c pound; Germany, 32c; US, 45c lb. **Phenolic Moulding Powder:**—Holland and UK, in gunny bags or drum, $1 per lb. **Potassium Nitrate:**—Germany, $60 per picul. **Lemon Shellac:**—India, No. 1, $316 per picul. **Sodium Cyanide:**—Germany, $1.14 pound. **Sodium Hydro-**

sulphite:—France, $172 picul; UK, $180 picul. **Sodium Nitrate:**—Germany, $33 per picul. **Sulphur Powder:**—Germany, $38 picul; US, $39 picul. **Ultramarine Blue:**—Czechoslovakia, $135 picul; Holland, $95 to $140 picul. **Paraffin Wax:**—US, 143 deg to 150 deg AMP, 90/94-lb paper carton, $86 picul; 165 deg AMP, $120 picul. **Zinc Oxide 99%:**—China, in gunny bag, 75c pound; Holland in gunny bag, 82c pound; Germany in paper bag, 83c and in gunny bag, 82c pound; South Africa in gunny bag, 88c pound.

PHARMACEUTICALS

Penicillin Eye Ointment:—2,000 units per gm, $4.80 per doz 5-gm tubes of UK origin. **Penicillin Ointment:**—2,000 units per oz, $6.20 per doz 1-oz tubes of UK origin, expiration date, 1957. **Penicillin Oral Tablets:**—50,000 units per tablet: US, 1960, $2.10 per carton of 12 tablets; UK, 1960, 78c per carton of 12's. **Penicillin-G in oil** (Procaine with Aluminum Monostearate): 300,000 units per cc: US, 1960, $2.50 to $2.80 per vial of 10 cc; UK, 1960, $2.20 per vial of 10 cc; Belgium, 1960, $1.70 per vial of 10 cc. **Dihydrostreptomycin:**—UK, 1960, 66½c to 82c per vial of 1 gm; Canada, 1960, 90c; Belgium, 1960, 68c; France, 1960, 68½c; Denmark, 75c per vial of 1 gm. **Sulfadiazine Powder:**—UK, $23 lb; Australia, $23.50; France, $24.50; Germany, $23 per lb. **Sulfaguanidine Powder:**—UK, $7.60; France, $7.50; Germany, $7.30 per lb. **Sulfathiazole Powder:**—France, $10.50; Italy, $10.30; Germany, $10.40 per lb. **Sulfanilamide Powder:**—UK, $4.10; Germany, $4.10; Holland, $4 per lb. **Quinine Tablets:**—Holland, $2.15 per bottle of 500 tablets. **Quinine Powder:**—Ethylcarbonate, Holland, $2.85 per carton of 1 oz. Sulphate, Holland, $150 per 100-oz tin. **Isoniazide Tablets:**—UK: 100 mg x 100's, $4.10 box; 50 mg x 5,000's, $40 tin; 50 mg x 1,000's, $9 bot; 50 mg x 100's, $2.75 box. France: 100's x 50 mg, $1.40 bottle. Switzerland, 100's x 50 mg, $3 bottle. **P.A.S. Powder:**—France, $5.15 per tin of 250 gm. Italy, $18 per kilo. **Aspirin Powder:**—(Acetylsalicylic Acid), UK, $3.50 lb; Germany, $3.27 pound. **Amidopyrin:**—France, $16.40 per 1-lb pkg or $16 per lb for 14-lb tins. **Ascorbic Acid Powder** (Vitamin C): Canada, $45 per 1-kilo tin. Switzerland, $45 per 1-kilo bot. **Caffeine Alkaloid:**—Germany, $12.60 per lb cif Canton. **Extract Ergot Liquid:**—UK, $8.80 to $11 per 1-lb bot. **Glucose Powder:**—Holland, 88c pound; US, 88c pound. **Phenacetin:**—Holland, $5.10 pound; UK, $5.15 pound. **Sodium Benzoate:**—UK, $2.20 pound; Germany, $2.10 pound. **Thiamine Hydrochloride Powder** (Vitamin B):—Germany, $280 per 1-kilo tin; France, $265 per 1-kilo tin; Jap, $270 per 1-kilo tin.

COTTON YARN

Hongkong Yarn:—4's, $830 bale; 10's, $890 bale; 20's, $940 to $1,110 bale; 30's, $1,370 bale; 32's, $1,340 to $1,380 bale; 40's, $1,450 to $1,480 bale; 42's, $1,620 bale. **Pakistan Yarn:**—10's, $830 to $870 bale; 20's, $840 to $900 bale; 21's, $860 to $910 bale; 32's, $1,160 to $1,190 bale. **Indian Yarn:**—20's, $830 to $870 bale; 26's, $1,030 bale; 32's, $1,130 bale; 40's, $1,340 bale. **Japanese Yarn:**—32's, $1,330 to $1,360 bale; 40's, $1,530 to $1,560 bale; 42's, $1,630 to $1,660 bale.

COTTON PIECE GOODS

Grey Sheeting:—China: 63 x 64, 36" x 40 yds, $35.30 pc; 72 x 69, 38" x 40½ yds, $34 pc; 60 x 60, 36" x 40 yds, $34.40 pc; 60 x 56, 36" x 40 yds, $34 pc. HK: 60 x 56, 36" x 40 yds, $37 to $39 per pc. Japanese: No. 2003, 72 x 69, 38" x 40½ yds, $34.20 pc. **Grey Jean:**—China: $31.20 pc. HK: 84 x 48, 30" x 40 yds, $32.50 pc. **Dyed Drill:**—118 x 56, 36" x 40 yds, HK, $2.50 per yard. **Poplin Shirting:**—HK, 36" x 42 yds, $33 pc; Jap, 36" x 30 yds, $1.31 per yard.

SUGAR

Granulated Sugar:—Taiwan, refined: No. 24, ex-godown, $54 picul or Jan forward, ex-ship, $51.50; No. 18, ex-godown, $42.50 picul. Japan, fine, $54 picul. Taikoo: granulated, $53.50; fine, $53; brown, $44.50 picul. Philippines, brown, $42.50 picul. Indonesia, brown, $47.50 picul. **Slab Sugar,** (brown):—HK, 1st quality, $45.50 and 2nd quality, $44.50 per picul. **Candy Sugar:**—HK, 2nd quality, $56 picul. **Malt Sugar:**—Thailand, $42.50 picul.

WHEAT FLOUR

Australian Brands:—$36.80 per 150-lb bag; $12.20 to $13.30 per 50-lb bag. **US Brands:**—$30.50 per 100-lb bag; $15.50 to $16.50 per 50-lb bag. **Canadian Brands:**—$38 to $38.50 per 100-lb bag; $18.50 to $19 per 50-lb bag. **HK Brands:**—$14.50 to $17.50 per 50-lb bag.

CEMENT

HK Products:—Emeralcrete, rapid hardening, $8.30 per 112-lb bag. Emerald, $7.10 per 110-lb bag and $6.30 per 100-lb bag. Snowcrete, white cement, $72 per 375-lb drum or $16.30 per 1-cwt bag. **Japanese Products:**—Ordinary cement, $5.90 per 100-lb bag. White cement, $15 per 1-cwt bag. **Chinese Products:**—$118 per m.t. cif HK ex-ship forward, packed in 45-kilo bags.

WINDOW GLASS

Japanese Products:—16-oz, 100 sq ft packing, size 40" to 50", 70% and 51" to 80", 30%, $24 per case. **Polish Products:**—16/18 oz, 100 sq ft packing, similar specifications, $23 per case.

RICE

White Rice:—Thailand: Special 3%, old, $58.30 picul; A 5%, old, 1st quality, $56.80; B 10%, new, 1st, $54.30; C 15%, new, 1st, $51.80. Canton: B, mixed, old, $53.80 picul; 1st quality, $49.20. **Broken Rice:**—Thailand: A 1, special, old, $42 picul; A 1, ordinary, old, $40.70; B 1, special, new, $38.80 picul. **Glutinous Rice:**—Whole, Thailand, 2nd quality, new, $40.80 picul. Broken, C 1, ordinary, No. 2, $31.60 picul and No. 3, $29.70 picul.

SUNDRY PROVISIONS

Bean Stick:—HK, 1st, A, $180 picul and B, $95. **Vermicelli:**—Tsingtao, 1st, cloth bag, $173 picul. **Black Fungus:**—Thick: Yunnan, A, $1,700 picul. Thin: Szechwan, 1st, new, $550 picul; Hupeh, 1st, new, $500 picul. **Ginkgo:**—Kiangsu, medium, mixed, $68 picul. **Lily Flower** (dried):—Honan, new, in case, $129 picul. **Lotus Nut:**—Hunan, large, new, refrigerated cargo, $400 picul; Fukien, white, new, hollow, $345 picul; Cambodia, 1st, $163 picul. **Lungngan Pulp:**—Kwangtung, new, 1st quality, $310 picul. **Mushroom:**—Tsaoku, dried: Kwangtung, new, ordinary, $1,650 picul. Thick: Jap, grade A, new, $1,890 picul; B, $1,260 to $1,400 picul; C, $1,100 picul. Thin: Kwangtung, C grade, new, $500 picul. **Pearl Barley:**—Hunan, 1st, in bags, $45 picul. **Seaweed** (dried, violet):—HK, new, cake form, $698 picul. **Walnut Meat:**—Hunan, large, new, $130 picul. **Water Melon Seed:**—Kiangsi, new, $215 picul; Kwangsi, fried, $185 picul. **Sharks' Fin:**—Jap: large, 1st, $538 picul; thick needle, 2nd, $320; medium needle, $246 picul.

GUNNY BAG

Heavy Cees:—India, 43" x 29", 2½ lb, with a 2" stripe, $2 per pc. **Used Bags:**—2½ lb, 3 blue stripes, $1.45 pc. **Jute Twine:**—3 ply, 820-lb pkg, $1.05 per catty. **Hessian Cloth:**—11 oz, 45" x 1000 yds, 75c per yard.

HONGKONG COMPANY INCORPORATIONS

The following new private companies were incorporated in Hongkong during the fortnight ended November 10, 1956:—

East Asia Publicity, Limited—Advertising agents; Nominal Capital, $100,000; Subscribers—A. A. Noronha, 27 Carnarvon Road, Kowloon, Clerk; J. E. Mogra, 4 Fung Fai Terrace, Happy Valley, Hongkong, Clerk.

Oriental Express Limited—Transportation business; Nominal Capital, $500,000; Registered Office, Room 901 Bank of East Asia Building, Hongkong; Subscribers—Kai-yin Chau, I.L. No. 3547 Hatton Road, Hongkong, Banker; Huck On Tso, 5, Hoi Ping Road, Hongkong, Merchant.

Jung Chang Investment Company, Limited—Nominal Capital, $300,000; Registered Office, 41B Conduit Road, Hongkong; Subscribers—Janine Hui Bon Hoa, 41B Conduit Road, Hongkong, Married Woman; Jacqueline Hui Bon Hoa, 41B Conduit Road, Hongkong, Spinster.

Castle Peak Properties Limited—To invest in land; Nominal Capital, $100,000; Registered Office, 1 Des Voeux Road Central; Subscribers—Raymond Edward Moore, 1 Prince's Building, Hongkong, Solicitor; Robert Henry Hindmarsh, 1 Prince's Building, Hongkong, Solicitor.

Tai Cheung Construction Company, Limited—Nominal Capital, $2 million; Subscribers—Chan Tak Tai, 127 Kadoorie Avenue, Kowloon, Merchant; Poon Wai Kuen, 127 Kadoorie Avenue, Kowloon, Married Woman.

South Asia Trading Company Limited—Importers and exporters; Nominal Capital, $500,000; Subscribers—Lee Gwok Ho, 105 Austin Road, Kowloon, Merchant; Li Fook Pui, 9 Seymour Road, Hongkong, Merchant.